

SLASH ASSEMBLY COSTS with VAUGHAN Automatic Assembly Machines

h for a Connoisseur by with & Anderson

CONTINENTAL BELLING PRICES: AUSTRIA S.15; BELGIUM F.25; DENMARK K.2.5; FRANCE F.3.5; GERMANY DM.2.9; ITALY L.96; NETHERLANDS F.2.4; NORWAY K.2.5; PORTUGAL Ec.28; SPAIN P.24; SWEDEN K.2.25; SWITZERLAND Fr.2.5; IRE 12p

NEWS SUMMARY

BUSINESS Equities and gilts off before Budget

Equities drifted lower in advance of the Budget. The FT 30-share index was 6.5 down at 411.6 while the All-Share fell 1.6 per cent to 175.64.

STERLING gained 10 points to 1.7157. Its weighted index was unchanged at 61.8. The dollar's weighted depreciation widened to 0.93 (0.72) per cent.

PRICES in the London Tea Auctions fell sharply, with plain tea down from last week's 250p a kilo to 170p, quality at 250p (28p) and medium at 235p (27p).

U.S. record trade deficit February was a record \$1.87bn. Oil imports were \$180m up on January at \$3.32bn.

MECHANICAL engineering industry is likely to experience only a modest increase in home and export demand in the next 18 months, according to an Economic Development Council report.

PATERSON, ZOCHONIS and Co. first-half pre-tax profit was up at £11.67m.

RECKITT AND COLMAN pre-tax profit for 1976 rose to £55.65m (£35.42m) on sales 31.1 per cent higher at £484.25m.

FREEMANS (London S.W.9) pre-tax profit for the year to January 29 rose to £10.35m, compared with £8.19m for the previous 53-week period.

DRESSNER BANK net profit for 1976 rose to DM218m (£53.2m) from DM194m, although operating profit declined.

BRITISH INDUSTRY is increasingly confident of a steady export-led revival over the coming year, despite the slow growth in manufacturing exports so far, according to the Confederation of British Industry.

Output forecasts remain the weakest for the larger companies on Phase Two of wage restraint and relatively weaker among capital goods producers than among producers of consumer goods.

RICE CHANGES YESTERDAY table with columns for rice types and price changes.

Hattersley grants some concessions on price controls

BY ELINOR GOODMAN

Mr. Roy Hattersley, the Prices Secretary, announced some concessions to industry yesterday in his proposals for future price controls. But he made it plain that he would not agree to any of industry's main demands for changes to his plans.

The new proposals to be published in a Bill, probably at the end of this week, will be of indefinite duration and embody all the provisions to freeze prices in certain circumstances outlined in a consultative document five weeks ago.

Mr. Hattersley said he was not prepared to accept industry's arguments for limiting all the powers to specific periods. The authority to investigate unnecessarily high prices was needed even when prices were rising less fast.

But in his most significant concession he said that powers to continue profit margin control after the end of July would not be indefinite. Any Government that wanted authority for permanent margin control must pass new legislation, he stressed.

The fundamental principles of the new controls remain unchanged. This means companies will be subject to two forms of control, the existing profit-margin ceilings and investigations into particular price rises.

Mr. Hattersley said he was not prepared to accept industry's arguments for limiting all the powers to specific periods. The authority to investigate unnecessarily high prices was needed even when prices were rising less fast.

During individual, but not sectoral, investigations prices may be frozen. After investigation, the Commission may recommend a further freeze of up to a year, and margin reductions in the shops.

Companies could also be forced to cut prices after a sectoral investigation. Retailers that the changes went no further. It would continue to fight for further amendments as the legislation went through the House.

The Retail Consortium, whose members have felt particularly aggrieved by the new proposals, accused the Government of again treating retailers as "a scapegoat for price increases" but indicated that it would be prepared to co-operate, albeit unwillingly, with the Government.

Industry's strongest criticisms of the new proposals have been based on the fact that they will outlaw any new wages agreement. There has been bitter opposition to the idea that proposed price increases could be frozen during an investigation by the Price Commission.

There has been general concern that the new framework might be abused for short-term political ends, and that it might greatly increase uncertainty for industry.

Mr. Hattersley made it clear that as far as individual proposed price increases were concerned, it would be the Price Commission and not the Minister that would have the power to decide which rises were investigated.

This may lessen industry's fears that the new controls could be abused by the Government, though the Secretary of State will apparently still have power

INVESTIGATORS TO PROBE CONFLICTING REPORTS

Jumbo crash: Insurers may face \$240m pay-out

BY MICHAEL DONNE IN LONDON and ROGER MATTHEWS IN MADRID

A BITTER international argument is now developing over the air disaster at Tenerife's Santa Cruz airport on Sunday afternoon, when Jumbo jets belonging to Pan American and KLM of Holland collided on the ground, killing over 500 passengers and crew.

The row is over who is to blame for the accident, the worst in civil aviation history. Reports of what precisely occurred remained confused, but the most common account appears to be that the KLM jet was rolling down the runway for take-off when it struck the Pan Am jet.

Survivors The reports from Spain were conflicting, however, as to whether the KLM jet had or had not been given permission to take off, and whether or not the Pan Am jet took a wrong turning off the taxi-way and strayed into its path.

At a Press conference on Tenerife yesterday, where the final death toll was given as 562 with 22 survivors of whom 15 were almost unscathed, Sr. Manuel del Prado, the Spanish President of IATA, revealed that the two aircraft had crashed almost head-on.

Earlier it had been suggested that one aircraft crashed into the side of the other. The KLM jet, which was gathering speed for take-off, met the Pan Am jet moving up the runway towards the starting point for its run.

Sr. del Prado said that visibility must have been sufficient for normal operations otherwise no aircraft would have been permitted to take off or land.

One of the main issues there is that of ground radar. According to a spokesman for KLM there is no ground radar at the airport and the traffic controllers have to rely on visual sightings.

Several different sources at the airport had agreed soon after the accident on Sunday night that visibility had been reduced at the time of the crash because of low cloud which is a regular feature of conditions there.

Sr. Antonio Oyarzabal, the recently appointed civil governor of Tenerife, said that among the issues that the investigating judge would have to consider was whether the pilot of the KLM jet had received permission from the control tower to begin take-off.

Accident investigators from the U.S., Spain and Holland, as well as those from the two airlines and the aircraft manufacturers, will also be looking at these points.

Their first aim is to find the flight data and cockpit voice recorders that each Jumbo was believed to be carrying. These will be vital in revealing the precise instructions given to the crews by the ground controllers, and their reactions to those instructions in the final critical seconds before the collision.

From the tape recordings, the investigators should be able to build up a picture of the situation from which they can determine the relative responsibilities of the crews and ground controllers—a key factor in the impending insurance and legal battles.

Both jets involved were operated by airlines who are signatories to agreements giving passengers a basic \$50,000 liability limit. A further \$17,000 is allowed to each passenger's relatives to cover legal costs.

However, the American passengers will have been subject to U.S. law which removes such maximum airline responsibility if it is shown that there was negligence on somebody's part. If this proves to be the case, and it is an unusual accident which has no-one to blame, then the relatives of U.S. passengers will be free to take legal action.

Recent experience after the Turkish Airlines DC-10 crash in Paris suggests that it is going to be impossible to predict the eventual total compensation. This is obviously worrying many insurers since it means great difficulty in estimating the

Giscard orders radical Cabinet changes

BY DAVID CURRY

PARIS, March 28. PRESIDENT Giscard d'Estaing of France to-night cleared the decks for the battle to win next year's General Election with the announcement that he had asked Mr. Raymond Barre, the Prime Minister, to lead a new, radically reformed Government.

The existing seven-month Government resigned earlier this evening and Mr. Barre was immediately asked to form a new Administration. The President is insisting that its members must abandon any party political function.

The new look Cabinet will have 15 members compared with 18 in the out-going one. It will draw up an action programme to be implemented between now and the General Election next March which will renew the President's drive for economic and social reform.

The programme will be based on measures to help the family, older people and the young in search of their first job. It will be submitted to both Houses of Parliament and voted on, the President announced in a nation-wide, televised address.

Speaking eight days after the severe defeat in the local elections handed out to the Government by the Socialist-Communist alliance, M. Giscard said the new Government would continue the task of economic recovery, which was putting France "on the right road."

This is an endorsement of the emphasis M. Barre has placed on the need for a firm and resolute pursuit of his austerity programme and his refusal to contemplate all but the most selective measures of relaxation.

The insistence that Ministers must wear no political badge, which is a drastic way of keeping out of the Government the quarrels of the coalition that have so complicated M. Barre's task, immediately raises a question mark over the future of the three leading politicians in the out-going Government.

Outspoken attacks M. Michel Ponlatowski, Interior Minister and leader of the President's main Independent Republican Party, which he founded with Giscard in the mid-1960s, has been the President's closest personal adviser ever since.

FEATURES table listing various news items and their page numbers.

ON OTHER PAGES table listing various news items and their page numbers.

FT SURVEY table listing various news items and their page numbers.

ANNUAL STATEMENTS table listing various news items and their page numbers.

INTERIM STATEMENTS table listing various news items and their page numbers.

For latest Share Index phone 01-246 8026

Industry now more confident of steady export-led revival

BY ADRIAN HAMILTON

BRITISH INDUSTRY is increasingly confident of a steady export-led revival over the coming year, despite the slow growth in manufacturing exports so far, according to the Confederation of British Industry.

The latest CBI monthly trends inquiry paints a generally optimistic picture for the prospects of steady growth in manufacturing output.

It shows a particularly encouraging rise in new export orders throughout industry, and a firm, if not spectacular, trend in manufacturing output as a whole.

The Confederation, deeply suspicious of the Government's fluctuating statistics on export volumes, output and employment, believes that all its evidence continues to point to a gradual but potentially sustainable economic growth led by exports and boosted by manufacturing investment.

ONCE YOU'RE IN TUNE YOU HAVE TO HARMONIZE. Keeping a big bank moving ahead on three levels takes some doing. Take Sanwa, a leading Japanese bank for nearly a century.

LOMBARD

The budgets of Diocletian

BY SAMUEL BRITTON

DURING my recent visit to Rome, I happened to have a room overlooking the remains of the Baths of Diocletian...

50,000 in Constantinople. The other parasitic classes, such as the aristocracy, priests and monks, and above all the court and Civil Service, all became larger.

Perquisites

State revenues were mostly land and trade and not indexed against inflation. It was this rather than the inflation itself which led to compulsory purchases in kind; and Diocletian transformed irregular requisitions into a comprehensive system of compulsory payments.

Diocletian had himself inaugurated a currency reform before he did his U-turn on prices. Under his Fourth and Fifth Century successors there was something of a revival of a money economy.

Historical parallels are never complete. Even with hindsight it is hard to see how the budgetary pressures could have been avoided.

RACING

Comet Kohoutek likely to score at Leicester

FOUR of the seven runners for today's one-and-a-half mile Handicap at Leicester have been in action over hurdles recently, and it is to one of these, Comet Kohoutek, that I turn for the winner.

- 2.15-Nitty Grity 2.45-Stonywell 3.15-Comet Kohoutek\*\* 4.15-Dalsty Delight\* 4.45-Mandalms\*\*

SANDOWN

- 3.00-Toughie 3.08-Paddy's Road House 3.35-Merrill Banker

Handicap, she will prove capable of justifying her connections' faith.

what could well develop into a match for the nine-runner Burton Overly Stakes.

Looking ahead to Saturday's News of the World-sponsored Grand National, Davy Lad and What a Buck were both in strong demand yesterday, the latter coming in to 25 to 1 with Lad-brokes following a £700 each-way bet at 33 to 1.

News of several likely non-runners, notably the Stan Mellor pair, Another Middle and Willy What, and David Nichol's son's Bentley Boy, has brought about a contraction in almost all the leading horses' odds, and the current quotes of 9 to 1 Davy Lad, 11 to 1 Red Rum, 12 to 1 Andy Pandey and Gay Vulgar, 14 to 1 Winter Rain and 16 to 1 Pengraill hardly reflect generosity on the part of the leading bookmakers who list some 50 horses.

A year ago, 32 lined up for the National, and it seems probable that this year's richest-ever running will attract at least 40.

BY ANTONY THORNCROFT

SALEROOM

Porcelain tops the million

IN RECENT weeks, London has hardly lived up to its reputation, as the centre of the international art world. Yesterday was different, with two exceptionally important auctions at Christie's and Sotheby's.

In particular, Christie's held probably the most interesting of the two sales of European porcelain for a record total of £1.10m. Only seven of the 174 lots were unsold.

The porcelain came from an anonymous European collection, and contained the only complete set of coloured Nymphenburg Commedia dell'arte figures modelled between 1755 and 1760 by Bustelli.

23 years ago. Apart from the Nymphenburg, Meissen Augustus Rex wares were much in demand. A pair of lemon yellow ground oviform ginger jars sold for £2,000, and a pair of baluster vases made £20,000.

Among the other top prices, in an auction which attracted world-wide buying, were the £42,000 from Dr. Torre, a Swiss collector, for an early Meissen table fountain and basin modelled by Kirchner, and the £50,000 more than the top pre-sale estimate.

SNOW REPORTS

Death State (cont.) of Weather L U Piste Snow 29 359 Good Snow 1

FRANCE 15 399 Good Snow 2 Chamonix 10 399 Good Snow 2 Courchevel 10 399 Good Snow 2

SCOTLAND Cairngorms: Main runs all complete. Snow cover 100%. Lower slopes, a few patches, others broken.

Historians

Nevertheless, subsequent historians have not dealt kindly with Diocletian, first because of his persecution of the Christians, and more recently because he was the author of the most extensive wage and price controls in Antiquity.

It is not very plausible to suggest that inflation was the "enemy from within" which opened the door of Imperial Rome to the barbarians.

Perquisites

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TENNIS

In-form Cox can earn a c with favourite Stockton

THE FIRST tennis tournament at London's Earl's Court begins today in a 10,000-seat arena on a £7,000 court surface that has taken 800 man hours to lay.

Such meticulous preparations for the World Championship of Tennis tournament underline the professionalism and the resources of the Dallas-based promotion company that has poured more than \$11m into the game since oil millionaire Lamar Hunt began his operations in tennis just over 10 years ago.

This week's event is a gamble. With only six weeks to promote it since the double cancellation of the event, scheduled for Stockholm, no sponsor has been found so that WCT itself will underwrite the prize money of \$100,000 plus the considerable back-up expenditure.

Nor is the 16-man field as prestigious as originally hoped. The world No. 1, Jimmy Connors, is not competing, and neither is the No. 2, Bjorn Borg, although the Swede was originally announced as a member of this year's WCT team.

That is not to say that the tennis this week will be inferior. Far from it, World standards today can extend to several major events over lapping.

The official favourite for Earl's Court, where the first prize is \$30,000, is New York's Dick Stockton, who at last seems to have overcome a troublesome back ailment that threatened to cut short a potentially brilliant career.

Stockton narrowly lost to Connors in the Wimbledon semi-final of 1974, but beat him to win the U.S. Pro Indoor in Philadelphia last January and now leads the WCT points table. He is a superbly aggressive all-court player who is seeded for a semi-final clash with another of the bright younger Americans, Vitas Gerulaitis.

But first Gerulaitis must dispose of our own No. 1, Dick Cox, who at 33 is reaching new peaks of achievement. Recently Cox won

Grand Prix tournament in which he surprised to win the De WTC Rotterdam tournament, he beat Tom Okker. London fans I beat Tom Okker. London fans I beat Tom Okker.



Dick Stockton, aggressive all-court New York official favourite to win the Earl's Court

FILM AND VIDEO

Aspects of Anna

THE LEAK of information contained in the Annan Report on the Future of Broadcasting published last Thursday, but widely previewed beforehand, left undiscussed many matters of importance, albeit hardly front page news for the Sunday Press.

The Annan Inquiry has had an almost impossible task—attempting to embrace matters as diverse as religious programmes and the possible impact of video discs on broadcasting. The result is nevertheless a model of historical perspective, contemporary clarity and apparent reasonableness, although a few of the lobby groups will be sadly disappointed.

This lobby included not only ITV and its lost hopes of the fourth TV channel, but the Cable Television Association, which wanted pay TV to be approved by Annan; the Newspaper Society—seeking a five-year moratorium on teletext; and the educationists—who wanted all manner of extensions and expansions in broadcast coverage. None of these requests have been met.

Although the proposed new Open Broadcasting Authority that will act as a "publisher" in running a fourth TV channel may well provide further room for educational material.

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TV Radio

TUESDAY MARCH 29

- 6.40 a.m. Open University (UHF only). 12.45 p.m. News. 1.00 Public Mail. 1.45 Budget. 2.15 Budget. 77 including Budget Summaries at 4.30, 5.00, 5.30.

- 8.10 Warship. 9.00 News. 9.35 The Budget: The Chancellor of the Exchequer Rt. Hon. Denis Healey, MP, for the Government.

- 11.30 News and Weather for Scotland. Northern Ireland—5.53-6.20 p.m. Scene Around Six. 6.50-7.30 p.m. Times: medieval to electronic music. 11.30 News and Weather for Northern Ireland.

- 2.00 Good Afternoon. 2.35 Sam. 2.55 News. 3.30 News. 4.00 Today. 4.15 Crossroads. 4.30 Dave Allen and Friends. 4.55 The Six Million Dollar Man. 5.20 Tom O'Connor. 6.00 This Year Next Year.

- 9.55 a.m. Hammy Hamster's Adventures on the Riverbank. 10.05 The Baron. 10.55 Wild Wood. 11.05 Drum. 11.20 London's West Headlines. 1.25 Report Wales Headlines. 1.35 Report Wales. 1.45 Report Wales. 2.50 Three Little Words. 2.55 Report Five-O.

F.T. CROSSWORD PUZZLE No. 3,342

Grid for crossword puzzle with numbers 1-29.

BBC 2

- 6.40 a.m. Open University. 11.00 Play School. 2.15 p.m. Other People's Children. 2.30 World. Table Tennis Championships.

ATV MIDLANDS

- 10.35 a.m. Untamed World. 11.00 a.m. Little Bit of Staffordshire. 11.30 The Wood. 1.30 Hawaii Five-O. 1.55 Police Surgeon.

SOUTHERN

- 8.50 a.m. Inner Space. 10.55 Minkid. 11.05 Drum. 11.20 London's Wild Wood. 11.60 Oscar. 1.20 p.m. Southern News. 1.30 Southern News. 1.45 Southern News. 1.55 Southern News.

LONDON

- 9.30 a.m. Focus on Wildlife. 9.55 National Film Board of Canada Presents. 10.55 The Saint. 11.45 Merric Melodius. 12.00 Noddy.

GRANADA

- 9.30 a.m. The Challenging Sea. 9.55 Cartoon. 10.05 Holiday Motions. 10.15 Eddie's. 10.25 Fred MacMurray. 10.35 The World. 10.45 News. 10.55 News. 11.05 News. 11.15 News. 11.25 News. 11.35 News.

YORKSHIRE

- 8.30 a.m. Good Morning Calendar. 9.05 Cartoon. 10.05 Holiday Motions. 10.15 Eddie's. 10.25 Fred MacMurray. 10.35 The World. 10.45 News. 10.55 News. 11.05 News. 11.15 News. 11.25 News. 11.35 News.

ACROSS

- 1 Anger at river producing heat (11). 7 & 23 Friend allowed to make a bed (6).

DOWN

- 1 Sailor and soldiers go north for a herb (8). 2 Wise men caught viewer using tuning indicator (6, 3).

SOLUTION TO PUZZLE No. 3,341

Solution grid for puzzle No. 3,341 with words: BAZAAR, ASHMAN, O S G O S A, INCUBUS, CUREORY, E N A M N A R A, CREDITCARD, USER, T H R O B Q U E R A T I V E, M I S T R E S S A S H W E N, F O R M I D A B I L I T Y I N D E X, O T T O M A N S T A R T E R, O L K E V I O N, P L A T E R E D I S I O N.

RADIO 1

- 247m (S) Stereo-broadcast. 6.40 a.m. As Radio 1. 7.00 Simon Bates. 7.15 Top Gear. 7.30 News. 7.45 News. 8.00 News. 8.15 News. 8.30 News. 8.45 News. 9.00 News. 9.15 News. 9.30 News. 9.45 News. 10.00 News. 10.15 News. 10.30 News. 10.45 News. 11.00 News. 11.15 News. 11.30 News. 11.45 News. 12.00 News. 12.15 News. 12.30 News. 12.45 News. 1.00 News. 1.15 News. 1.30 News. 1.45 News. 2.00 News. 2.15 News. 2.30 News. 2.45 News. 3.00 News. 3.15 News. 3.30 News. 3.45 News. 4.00 News. 4.15 News. 4.30 News. 4.45 News. 5.00 News. 5.15 News. 5.30 News. 5.45 News. 6.00 News. 6.15 News. 6.30 News. 6.45 News. 7.00 News. 7.15 News. 7.30 News. 7.45 News. 8.00 News. 8.15 News. 8.30 News. 8.45 News. 9.00 News. 9.15 News. 9.30 News. 9.45 News. 10.00 News. 10.15 News. 10.30 News. 10.45 News. 11.00 News. 11.15 News. 11.30 News. 11.45 News. 12.00 News. 12.15 News. 12.30 News. 12.45 News. 1.00 News. 1.15 News. 1.30 News. 1.45 News. 2.00 News. 2.15 News. 2.30 News. 2.45 News. 3.00 News. 3.15 News. 3.30 News. 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# Danish double bill

by MAX LOPPERT

Part of the season of about operatic and musical styles, with *Chimborzo* as the touch of exoticism not pursued in the music. Between much recitative, each character essays an aria in a different operatic mode; the finale is concerted. It was interesting to encounter this example of "pre-revolutionary" Gluck. Though it is a firm in string tone and ensemble, the best of the programme were realised with a report that the tenor who sang the programme, though it was on paper, and that it was unsuitable for a visit of the Prince von Hausen, for a visit of the heresa and Francis I. It expands a text that had been written for some 30 years earlier in this basic background appeared in the programme. It is a divertissement for four players, three Chinese women and a male.

ten Town Hall

# Les Vêpres siciliennes

by ELIZABETH FORBES

Chelsea Opera Group, founded in 1964, has retained a fondness for opera. Recently the group has made something of a specialty of those works, settings of texts by Italian composers which are usually their Italian versions: *Te Tell* and *Don Carlos* such operas sung in the original COG in the original. On Friday night an example, Verdi's *Les Vêpres siciliennes*, was given in Town Hall as part of the Festival; the performance was warmly received by the audience.

Elizabeth Hall

# Joseph Kalichstein

by DAVID MURRAY

Joseph Kalichstein's latest London recital formed part of the excellent South Bank Sunday afternoon piano series, and he maintained the standard admirably. He bears the distinguished stamp of his teachers, Edward Steuermann and Ilona Kabos; that was evident at once in the Beethoven Sonata with which he began—the oddly constructed F major one, op. 54. The opening movement theme was easily maintained, the standard cadenza not over-stressed, and the subsequent streams of octaves bubbled tirelessly. The *Allegretto* was not a *moto performato*; he sang "Et l'âme" with generous, glowing tone, but a little more care for French vowel

composer, Ib Nørholm. The *Garden Wall* brings a painting by Aostana Magister to life, filling the mouths of its inhabitants with nonsense roman abstractions after Michel Butor interspersed with Blake's *The Gates of Paradise*. The composer and his librettist, Paul Borum, have shaped the piece in 20 linked scenes; the music, a sheaf of small forms with frequent recourse to parody or perhaps more secure imitation (much half-digested Stravinsky pastiche, essays in Straussian cantilena), mirrors the surreal movement, or non-movement, of the actions on stage.

The opera provides a large singing ensemble with both solo parts and chorus activity, and it was well-articulated in its taken. But the air of half-hearted avant-gardism, the inability to discover any kind of dramatic momentum, and the paralyzing uncertainty of intention—or was the intention solely an exercise in modern clichés—floored the most devoted ensemble work. Of the three nominal leads, Mikael Melbye played a baritone of striking power and certainty—he was also credited with the attractively spare designs for the Danish

Wildenstein

# Kitagawa Utamaro

by WILLIAM PACKER



Utamaro: Yatsuyama of the Washiya (c. 1795)

Vary occasionally a private gallery, which must lack the resources of time and scholarship that are available to a public institution, besides having to cope continually with the exigencies of commerce, manages nevertheless to put on an exhibition of major importance and museum quality. And when such rare treats are offered, we can hardly do less than enjoy them. Until April 8, though I understand there is the possibility of the run being extended by a week or so, a remarkable and extremely beautiful exhibition is to be seen in Bond Street, brought over from Paris, where it was put together by Mme. Huguette by Wildenstein.

The Japanese popular prints of the 18th and 19th centuries occupy a curious place in the Art of the world, for, in many ways, they are highly specialised, specific, enclosed, reflecting as they do in their subject-matter the tastes and activities of the Ukiyo, the Floating World, devoted to the transient pleasures of the senses, itself an enclave within a society quite shut off from the outside world. And, intriguing though the glimpse is that we have of another world, it remains as remote, as alien to our experience and sensibility, or so it seems at first, as the Egypt of the pharaohs, or Hollywood before the War.

And yet these same prints, that slipped through to the West only late in the last century, and sent at that not always for their own sake, but too frequently merely as a protective wrapping for porcelain, just so much waste-paper, had an immediate and powerful effect, a seminal influence over subsequent developments in the modern movement: an influence indeed that is felt in some quarters to this day. At a moment when in certain important instances eyes were suddenly newly alive to other than the sophisticated pictorialism of which we have become so accustomed, they demonstrated the particular virtues of line and pattern, and a flattened, simpler perspective and formal description; and they did so, moreover, by means of a austere and direct medium, the limitations of which were transcended with astonishing and stimulating technical brilliance. The acceptance and exploitation of the flat surface, which they show so clearly, became one of the staple preoccupations of modern painting.

Kitagawa Utamaro was perhaps the greatest of the artists of this peculiar art, and practised in its finest period, toward the end of the 18th-century. Under-standing and accepting the constraints of the co-operative technique of the wood-cut, and ever pushing and stretching it to accommodate fresh subtlety of description and association, he was yet wonderfully free of them. He takes his place by right in the pantheon of the great artists of the world. The small scale of his work belies its authority, for his images command attention across a room even as their detail falls away into generality. But they are irresistible and we must move closer. Age has faded the inks and papers, and taken the edge off the dense, black hair and the bright lips, bringing tones and colours closer together in a gentle conspiracy of pink, grey, blue and silver. Against the warm grey plush of the gallery they present nothing less than an invitation to a quiet orgy of visual indulgence; they can seldom have been shown more happily. And in this physical aspect alone, a little surpris-

ingly at first, they call to mind the contemporary pre-Revolutionary art of France, and the delicate hedonism of Boucher in particular. And so we see with Utamaro, just as with Boucher, that an insistent sensuality inheres in the very substance of the work, quite independently of whatever is depicted. But when we come to consider the subject-matter, the sensuality becomes overt, explicitly so, and the sympathetic comparison with Boucher, with his delight in silk and roses, pink flesh and languid, writhing bodies, reinforced. None of the prints shown here is as baldly erotic as some of Utamaro's other, indeed some of his best work, but we take the point nevertheless. His beauties, the great courtesans of the Yoshiwara, the separate pleasure quarter of Edo, with its tea-houses, bath-houses and bordellos, move through their days and nights, from the hour of the bare to the hour of the tiger, attended by their retinues of lovers, musicians, actors and servants, painted, cossetted, dressed and undressed by their maids, amused by their children and consoled by each other. Alone they rearrange their hair and clothes, gaze into the mirror, write their letters, or simply relax in a luxury of dishevelment. And all the while Utamaro is up to his technical and formal games, whether it is to put a shadowy figure behind a screen, drape her with transparent veils, or just to hint, by the faintest nuance of the line, at the soft, rounded body beneath the dress. His sense of composition is as sure as it is adventurous, apparently so simple yet growing ever more complex and absorbing the more it is considered. Our eyes are taken back and forth across the page by the confident and vigorous line and the broad sweeps of colour and pattern, suddenly checked by the sharp edge of screen or door, or by the still and extraordinary silhouette of head and hair, and then off again. We move into the space, drawn on by the perspective, and by the figure beyond, half hidden by screen and furniture, or the shoulder of her friend, only to be brought up short and cast out by a mirror or another screen. We are made to explore an intricate pictorial maze, that traps us unawares, exercising the eye while beguiling the imagination. None of these lovely things needs an explanation, and he is a poor man who cannot enjoy a picture of a pretty girl; but nothing was ever made less interesting by thought and careful scrutiny. Utamaro's world, like Alice's, grows curiously and curiously.

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FINANCIAL TIMES  
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Whitehall

# In The Red

by MICHAEL COVENEY

June sunshine spills through the telephone to learn that a check is dashed away in order to leave the coast clear for an erotic encounter with Dinah Sheridan (the mind, as they say, boggles), is in fact, raring to go on the golf course. But, like a good sport, he plays along, removes his trousers, even bares his buttocks (lord, how they shrieked in the front stalls) and—wait for it—even turns the tables on his humiliators in the feeblest, most ragged conclusion that I can recall in a long time.

Whitehall

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Festival Hall

# Walton birthday concerts

by RONALD CRICHTON

The London Symphony Orchestra celebrated Sir William Walton's 75th birthday (which falls to-day) with a slap-up concert conducted by André Previn, Kyung-Wha Chung to play the Violin Concerto, the Second Symphony, and Walton's latest orchestral work, *Variations*. These are transcriptions of the Five Bagatelles for Guitar: part of the fun lies in trying to conceive how they sound on a single, intimate instrument. One can imagine the slower ones plucked, especially the two Lentos which might both be subtitled "Satie's Siesta"; not so easily the finale, a brief and rowdy tribute to Malcolm Arnold.

The English Bach Festival got in with a hastily-organised gathering at Plasiders Hall on Friday evening when Charles Mackerras conducted the festival's Ensemble in no less than eight hitherto publicly unperformed numbers from *Facade*. Some day heady musicologists will have the time of their lives establishing exactly when during the fruitful years from 1922-28 which of the pieces were written and performed. One of those given on Friday, "Herodiade's

Flia," is included in facsimile in the *Facade* volume produced, was it not, for Walton's 70th birthday. One other, "Daphne," exists as a separate song-setting. It was a most curious experience to hear unfamiliar pieces in a familiar idiom, so like and yet not the same. They were omitted from the final accepted version, it seems, on grounds of overall length and the need for contrast. All of them, none the less, are worth hearing occasionally, some of them—the sad-coloured "Daphne," the short, snappy "March," and endearing "White Owl"—more often than that. What a shame that nothing else in later years apparently stimulated Walton's "private" vein of adventurous chamber-writing. Richard Baker was the reciter, evidently brought up on the best models, leaning more to Edith Sitwell's hieratic moaning than to Constant Lambert's unfailingly rhythmical chanting, which was more helpful to words and music.

# Tolly Cobbold art exhibition

The first Tolly Cobbold/Eastern Arts national open art exhibition opens at the Fitzwilliam Museum in Cambridge on April 1 and closes on May 1. Fifty-seven works have been selected out of a total of over 1,400 entries. Among the artists represented are Derek Boshier, Boyd and Evans, Robin Denny, John Hoyland, Patrick Hughes, Edward Middleditch and William Turnbull, but the exhibition includes unknown as well as known artists.

# The St. Magnus Festival

The first St. Magnus Festival will be held in St. Magnus Cathedral, Kirkwall, Orkney, from June 18 to 21. The Festival opens with the premiere of a new opera by Peter Maxwell Davies, *The Martyrdom of St. Magnus*, based on George Mackay Brown's novel *Magnus*, dealing with the 12th-century pacifist who became patron saint of Orkney. The opera, conducted by the composer, will be performed by The Fires of London, who will also give a concert of music composed or arranged by Maxwell Davies the following evening. Other events include a concert by the Edinburgh Quartet, various recitals and music for dancing by the Ham-naeve Band and the Orkney Strathspey and Reel Society.

# Chichester 902 Festivities

There will be a concert in the Cathedral on the evening of the Chichester 902 Festivities which runs from July 7-20. Highlights are the Royal Philharmonic Orchestra with the trumpeters of the Royal Military School of Music—Knaeller Hall performing a programme of "patriotic music" ending with Chaikovsky's 1812 Overture. A concert by the Ellard Ensemble with Phil Fickett, Nigel North, Michael Laird, Paul Neman and Steven Saunders will have the singers and players in costume of the Tudor period and the Cathedral will be entirely lit with candles. The Chichester Cathedral Choir with a wind ensemble from the Royal College of Music will give a concert of "Music for a Summer's Evening" on the lawns within the Cathedral's beautiful cloisters.

# Who builds more jet engines and elevators than anyone else in the world?

There will be an exhibition of surrealist paintings by Rene Magritte and Leonora Carrington at Chichester's new Centre of Arts.

Outdoor activities include a daily programme of lunchtime entertainment on the Cathedral green and at night, an outdoor stage will be built in the grounds of the Chichester Festival Theatre—after 10 p.m. entertainment will be provided by steel bands, jazz bands and folk groups.

A special Children's Day will combine with the City of Chichester's Jubilee Celebrations under the auspices of the City Council, all of which comprise a massive event to take place in Galsands Park, Action Space, Spaceplace, Jules Baker and the Shoreham Youth Workshop will exhibit dozens of "infatables" ranging from vast cathedral-like complexes to sixty-foot serpents.

The cost of the Festivities will be around £40,000 and the organisers expressed their gratitude to the Arts Council, local authorities and companies like IBM, Midland Bank, Nat West, Trustees Savings Bank, Amalgamated Industries, Metropolitan Pensions Association, Dexam International Radio Victory and Andy Montgomery for their generous support.

EUROPEAN NEWS

# Andreotti meets unions on wage indexation formula

BY DOMINICK J. COYLE

ROME, March 28

THE ITALIAN Prime Minister, Sig. Giulio Andreotti, was meeting unions today to discuss a formula for adjusting the basic for calculating Italy's inflationary system of quarterly wage indexation which would satisfy both the International Monetary Fund (IMF) and the three big union confederations.

The IMF and the minority Italian Government are agreed that the effects of some indirect tax increases should be excluded for the purpose of determining threshold payments to workers. The trade unions reject this, claiming that the "whole principle" on which the Italian brand of indexation is based would be eroded.

Union leaders are expected to put forward proposals of their own, including an agreement to abolish some "anomalies" in the existing threshold payments system and, in effect, to alter the weights of some components of the cost-of-living basket.

The Government's position is doubly difficult. The IMF, subject to formal approval, has agreed on a new \$830m. loan facility to Italy, but the support-

ing Letter of Intent calls for measures to hold down the rise in labour costs this year. However, the Government's package agreed with the Fund risks being defeated in Parliament if there is no compromise agreement with the trade unions.

It is likely that this potential impasse for the minority Christian Democrat Government was actually envisaged privately during the final round of talks between Ministers and the IMF mission headed by Mr. Alan Whitton, and the issue now is whether what the unions are prepared to offer on wage indexation will be acceptable to the Fund as an alternative to the so-called "sterilisation" of recent VAT increases.

This rise in indirect taxation is intended by the Government to compensate the Treasury for meeting part of the present heavy cost to employers for workers' social security contributions. The scheme, which amounts to a direct subsidy of Italian labour costs, has already been given effect by decree law, but this requires formal approval by Parliament within 60 days. The deadline expires early next month.

The opposition of the unions to "sterilisation" is supported generally by both the Communist and Socialist parties, whose tacit backing in Parliament maintains Sig. Andreotti's minority administration in office. Thus the issue of indexation could bring the Government down, something, however, which the main opposition parties seem desperately anxious to avoid right now.

Both the Communists and the Socialists insist that they do not want another political crisis "in the dark" but they would like a more broadly-based administration than Sig. Andreotti's, and preferably one in which their own direct influence—if not their actual presence—would be greater.

But many Christian Democrats believe that Prime Minister Andreotti has already gone too far in accommodating Communist party and trade union attitudes, a point of view which was voiced here yesterday with little ambiguity by Sig. Amintore Fanfani, a former Premier and current President of the Senate.

# U.K. aims for early decision on AWACS

By Malcolm Rutherford

THE BRITISH GOVERNMENT hopes to take a decision on an airborne early warning system within days rather than weeks, Mr. Patrick Duffy, Under-Secretary of State at the Ministry of Defence, told the House of Commons yesterday.

It is still not clear, however, whether the decision will be in favour of the British system based on the Hawker Siddeley Nimrod, or the proposed Nato system known as AWACS. Mr. Fred Mulley, the Defence Secretary, reserved his position when the special meeting of the Defence Ministers last Friday supported AWACS in principle, but postponed a final decision until July 1 at the latest.

The domestic pressures in favour of Nimrod are now considerable and come from both Labour and Conservative parties, as well as industry projects such as the Hawker Siddeley Skyflash air-to-air missile which the U.S. is currently testing with a view to purchase.

There is some criticism in Nato too that Britain is preparing to get out of AWACS at the very time when the Alliance as a whole—including the West Germans, who had previously been lukewarm—is beginning to commit itself to it.

The reason for the British haste is the funding of the Nimrod programme. This has already cost £1m. and present funding arrangements expire at the end of this week.

According to Mr. Duffy's statement yesterday, if the Government does choose Nimrod it will seek to make it compatible with an AWACS system used by the rest of the Alliance. Mr. Mulley proposed such a mixed system at the Nato meeting on Friday, but received no support.

The meeting was an unusually tough one with the European members of the Alliance for delaying a final decision, and being blamed for trying to force a decision too quickly.

# Lisbon makes formal application to join European Community

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, March 28

PORTUGAL today formally applied to join the Common Market, amid indications that member governments are becoming increasingly disturbed about the problems involved in further enlargement.

The application, addressed to the British Foreign Secretary, Dr. David Owen, was handed to Britain's Ambassador to the EEC, Sir Donald Maitland, by the Portuguese Ambassador, Sr. Siqueira Freire. There were three copies, one each for the EEC, Euratom and the Coal and Steel Community.

EEC Foreign Ministers plan to discuss the Portuguese request at their next Council meeting in Brussels on April 6. They are expected to review the whole question of further enlargement, including the admission of Greece and Spain, in greater detail at informal talks to be held at Leeds Castle in Kent in May.

While all nine EEC governments have publicly agreed that it is politically necessary not to rebuff Portugal's request, there are increasing signs of concern about problems of integrating its backward economy into the Community. Only Britain and Germany still seem to support the Portuguese case wholeheartedly.

At last week-end's "summit" meeting of EEC heads of government in Rome, President de Gaulle's statement of France's attitude at a point of emphasising a Freege conference that would enlarge the EEC further, have to be preceded by changes in the Common Agricultural Policy and by a re-examination of the institutional workings of the Community.

Other countries, notably the Benelux, are pressing for wider application of majority voting in the Council of Ministers upon enlargement. They argue that unless this is done it is virtually impossible to achieve agreement in a Community with 10-11 or 12 members.

Portugal's request is, however, backed by Mr. Roy Jenkins, President of the European Commission, which will be charged with preparing an opinion on the application during the coming months.

This will be submitted to the Council of Ministers, which will then decide whether to open formal membership negotiations with the Portuguese Government.

Dr. Mario Soares, the Portuguese Prime Minister, said earlier this month that he expected these negotiations to open at the start of next year and to last two to three years. He said Portugal would be fully integrated into the EEC by 1985.

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turn proposals.

Portugal industry on mend...  
BY DIANA SMITH...  
LISBON, March 28...  
PORTUGUESE industry is slowly recovering from the slump it suffered during the 1976 revolution, according to official statistics.

The official planning centre estimates that gross domestic product rose by 5 per cent in 1976 after a fall in 1975 of 2.8 per cent. The transforming in-

dustry picked up by 5.2 per cent in comparison with the previous year, consumption of cement and iron and steel by the building industry rose by 15.2 per cent and 12.8 per cent respectively.

Tourism, while still nowhere near the high levels of 1973 and early 1974, rose 3 per cent. Agriculture, cattle breeding, fishing and the food and drink industry, however, continued to decrease—a disturbing sign as the country is chronically short of foreign exchange and imports more than 52 per cent of its food.

Despite intensive planting of hitherto unused land in the South, grain production dropped by 5 per cent (and is likely to fall further this year after a very wet winter). Vegetables and root crops dropped by 25 per cent, wine by 19 per cent, olives by 53 per cent, and tomatoes (once a source of valuable export revenue from tomato concentrate) by 24 per cent. Most olives and tomatoes are

# Poll change mooted in France

BY DAVID CURRY

PARIS, March 28

A NUMBER of Government Ministers have, since the ruling coalition's set-back at the local elections, started floating the idea of a return to proportional representation in France. To what extent the Elysee Palace is directly behind these trial balloons is not clear, but it is accepted that their course is, at least, being watched with interest by President Giscard d'Estaing.

The suggestion has come most strongly from the centre parties who see in the current polarisation of politics a dangerous erosion of their support. They regard the current system based on single-member constituencies and two rounds of voting—a primary followed by a run-off—as lending itself to such a polarisation.

Electoral reform was mooted first by M. Olivier Stirn, Minister in charge of Overseas Territories, a refugee from M. Chirac's Gaullists and now head of the minuscule Liberal Party, against returning to proportionality. They are also aware that historically the French two-tier system of first-past-the-post has been used by the Planning Minister, M. Jean Lecanuet, and the minimised Communist representative, M. Gabriel

Perronet. All three parties are members of the ruling coalition. The last vestiges of proportional representation in France were removed by General de Gaulle who regarded the system as a recipe for political deadlock. The Gaullists, whose 166

French fishermen protesting against industrial pollution of their Normandy fishing grounds, strung some 50 trawlers across the entrance of Le Havre's outer harbour yesterday, blocking incoming and outgoing traffic, Reuters reports. Port officials said last night that five ferries and about 20 freighters and oil tankers were trapped in the harbour, and another 30 vessels were lying off Le Havre waiting to unload.

seats in the current Assembly from M. constituencies rather exaggerate their strength, are predictably against returning to proportionality. They are also aware that historically the French two-tier system of first-past-the-post has been used by the Planning Minister, M. Jean Lecanuet, and the minimised Communist representative, M. Gabriel

vote pulling-power. The Socialists would probably not be hostile to a proportional system which overcame the present over-representation of the rural conservative vote, provided they were convinced they were not being asked to approve some pre-electoral trickery.

The magazine Le Nouvel Observateur has calculated that if the 1973 general election had been held under proportional voting it would have yielded 120 seats for Socialists and allies, 101 Communists, 59 Reformists and 179 seats for the current majority including 113 Gaullists and 33 Giscardiens. The actual strength after the election was 104 Socialists and allies, 73 Communists, 49 Reformists, 166 Gaullists and 68 Giscardiens.

Between now and the general election the parties of the coalition will have to sort out which of them will carry the Government's colours in each constituency. If the Gaullists, as expected, try to drive a hard bargain on the grounds that they are the only party with an organised majority and file the enthusiasm of the centre parties for proportional representation may become even greater.

# Nine under pressure to choose JET sit

BY OUR OWN CORRESPONDENT

MINISTERS from the nine Common Market countries will be under pressure at Council meetings here to-morrow to finally decide on at least two major Community energy projects, both of which directly involve British interests.

One of these is the siting of the JET, the EEC's thermonuclear fusion project, which has been the subject of bargaining for the past 18 months. The British government hopes that EEC research ministers will agree on the Culham research station near Oxford, as the site of the elaborate machine, which promises to open the way to producing abundant clean energy in the twenty-first century.

Culham's only rival is the Garshing facility in Germany, the only other site in the EEC with substantial experience in plasma-physic research. The Nine have already agreed in principle that a member government will veto the choice of a site outside its own territory, and that work on the project will be shared out between several member states.

The need for a final decision is now becoming urgent because funding for the JET design team is due to run out at the end of this month. Though the ministers could decide to extend it for a further three months, it is feared that the additional delays would lead to the breakup of the design team, 15 of whose 50 members have already quit.

Dr Guido Brunner, the EEC Commissioner for Research and Energy, who has put in much behind-the-scenes effort to find a solution, said today that he believed that a final agreement was possible, though an all-night Council session might be needed to-morrow. The British case will be argued by Mr. Tony Benn, the Energy Secretary, at a meeting shared by Mr. Gerald Kaufmann, Minister of State for Industry.

A decision on the JET site would also open the way for approval of a budget totalling 346m units of account (about £144m) to finance the EEC joint, research centre over the next four years. Ministers have already approved an additional 124m units of account to finance

the first five years of the JET programme. The Commission is clear that it must be before the research council begins late to-morrow afternoon. Mr. Benn will chair a meeting of Energy Ministers at which the general EEC energy situation, including the JET, will be discussed.

The ministers are being urged by Dr. Brunner to give "the go-ahead" to a proposal for a 500m-unit-of-account loan by Euratom to finance the construction of nuclear power stations on the community. The only country opposing the proposal is the U.K., which has tied its ascent to acceptance by the Nine of a minimum safeguard price for all designed to protect North Sea investments.

Dr. Brunner, who has held several discussions with Mr. Benn on the matter in recent weeks, said at a Press conference today that he hoped that the U.K. would agree to the loan scheme. British approval would "create a very good impression," and show that the Community was operating responsibly and not irrationally, he said.

An interesting development in the wake of the 1973 agreement and the poll concluded as regards the Home Guard. It is so many volunteers that extra money to be paid them. The Home G. some 70,000 members net recruitment last year of 4,000. The reason for this is not anti but it is partly bec number of conscri dropped sharply and those who are not called national service choose the Home Guard. The clearly reflects a c opinion which is favo current defence policy.

# DANISH DEFENCE SPENDING

## Four more years of peace

BY HILARY BARNES

THE DANISH Parliament has approved a four-year extension of the defence budget. Although NATO Secretary-General, Dr. Joseph Luns, has pointed out that the decision—taken on Friday by 125-25 votes—fails to bring spending up to the level considered desirable by NATO, it will nonetheless be greeted with relief by NATO and with at least partial satisfaction.

NATO, in fact, is now in the habit of holding up Danish defence spending arrangements as worthy of emulation by other members of the Alliance—a remarkable reversal of the general scepticism with which Danish defence policies were generally regarded only a few years ago. From 1968 to 1973 the defence forces were seriously weakened by successive reductions in the defence budget. In 1973, a four-year defence budget was established. It had two especially interesting features: it was inflation-proofed, being adjusted automatically for changes in the general price level and wage increases; and the four parties that had worked out the agreement between them held a veto over any changes in the budgets during the four years.

The system brought an unaccustomed political calm to defence issues by removing the incentive for politicians to agitate in the short-term for defence spending cuts. Even when unemployment rose and the economic situation began to deteriorate rapidly after the increase of oil prices in 1973, there was little pressure to adjust the defence budgets. The system has also enabled the defence staff to engage in the fruitful planning and efficient utilisation of the scarce resources it has.

These benefits will be perpetuated for a further four years from April 1. If the defence staff will nevertheless still only be partially satisfied, it is because the budgetary resources will still be too slim to fulfil the force and mission goals which were laid down by the 1973 defence agreement. The new agreement will keep spending at an unchanged level of Kr.5,547m. a year in April, 1976, prices (£508m. at the then exchange rate). That is about 2 per cent of the gross domestic product and just over 6 per cent of total budget spending.

But there are some additional items which will in fact push the budget up slightly and will to some extent benefit the standing defence forces. These are an extra Kr.117m. to contribute to a reform of the system by which conscripts are paid, an extra Kr.8m. a year for the home guard, and additional funds for fisheries inspection duties. The price increase for fisheries inspection has not been fixed, but Kr.500m. over the four years has been mentioned by a parliamentary committee.

It is not yet clear what the extra money for fisheries inspection will be used for, but it will enable the navy to utilise its vessels more fully than at present and may involve the purchase of extra helicopters. The new agreement is between the same four parties which made the 1973 agreement: the Liberal, Conservative and Radical. The Radicals, however, are in the paradoxical position of having supported the agreement before it came to the floor of the Parliament, but then deciding to vote against it. The only serves to underline the impotence of the Radicals' policy.

In the present parliamentary setup, the radical defection will not affect the agreement in any way. It was supported by a substantial majority which included the Centre Democrats, the Christian People's party and the anti-tax Progress Party. The agreement will keep spending at an unchanged level of Kr.5,547m. a year in April, 1976, prices (£508m. at the then exchange rate).

The decline of Radical influence is a point of some interest. The party has an anti-militarist tradition and voted against NATO membership in 1949. Later it came to accept NATO and supported Danish defence policy, if somewhat reluctantly. But the party usually held the balance between the Social Democrats and the non-socialist parties, and it used this position to help to keep defence spending to a minimum.

After the 1973 election, which returned ten parties to the Parliament, the Radicals lost their pivotal position. In January of this year the Social Democrats won still playing true to the old tradition and were refusing to sign a new agreement without Radical support, while at the same time calling for defence spending cuts.

That changed after the election in February when the Radicals suffered heavily. Up to their demands for spending cuts, the Radicals signed the defence deal in order to facilitate a solution to other issues. But the outcome in essence seems to reflect that fact that their support is no longer necessary to enforce the impotence of the Radicals' policy.

Where NATO and the chiefs continue to have for dissatisfaction is a level of spending and it comes which have since the 1973 force level established. The agree that year reduced defence ing and manpower, but s the emphasis to invest equiment. Total defence spend will cut from 4 1973 to 42,400, which fol reduction from 50,700. The defence staff compla que apart from continuan ment shortages and defa it does not have suffie sonnel to carry out the laid down for it in 1973.

The defence staff was modest increase of spending in the coming pe all out the gaps. It did wish, but did escape co will be able to enjoy another years in which defence is not under constant disc and attack.

# 50

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huge blow... then roof of aircraft fell in



# in Am, KLM ent on how ash occurred

FOREIGN STAFF

World Airways refused to speculate about the possible cause of the worst-ever crash for KLM. The previous crash, involving 18 deaths, occurred in 1961.

A three-man investigating team of the Dutch civil aviation authority and a six-man KLM team started work at Santa Cruz yesterday morning.

A spokesman for the Dutch pilots' association said that Tenerife airport did not have a bad safety record, a view which was also given by KLM officials.

Mr. Orlandini said that it had not yet been decided what would happen with the bodies, which would have to be identified first by a team of Dutch officials.

After that, they could either be buried at Tenerife or shipped to Las Palmas and then flown back to Holland.

This afternoon the airline published a full list of the 228 killed passengers, who included three Austrians, two Germans, two Americans and the 14 crew.

Last night and throughout today, Dutch radio put on solemn programmes, while the mass demonstration organised by the Labour Party in Rotterdam last night to protest against the collapse of the Cabinet last week was called off.

# Yet somehow, 15 walked away unhurt

TENERIFE, March 28.

JUST FIFTEEN passengers were on the island to-day to arrange for their transport back to the U.S.

No one survived from the Pan Am 747 jumbo jet at Los Rodeos Airport in the holiday island of Tenerife out of the 851 who had boarded the aircraft in the U.S.

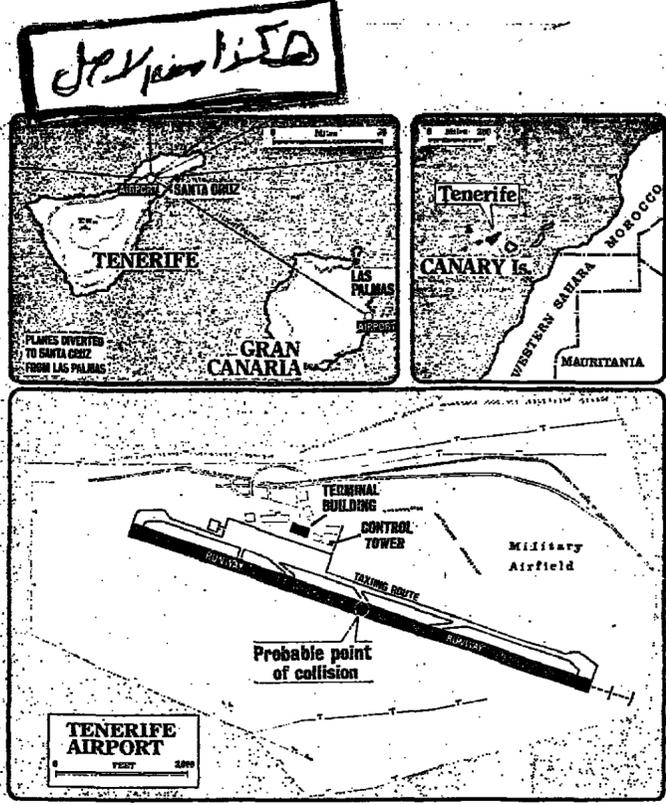
To-day they were recovering under medical supervision at a luxury hotel in the town of Santa Cruz, some of them still too stunned to begin telling the story of their escape.

Mr. Jim Naik, who comes from near San Francisco, told of a huge blow on the aircraft followed by the roof of the aircraft falling in. He said there was then a terrible explosion, and several smaller ones. His wife also escaped death but is in hospital with serious burns and fractures.

Mr. Juan Marillo Rivas, a Spanish Pan-Am executive, who had been in the cockpit, said they were jolted by a crash from the rear and then fire spread quickly from the back of the plane. "We saw one woman trying to get out but the fire kept us from getting near her," he said.

Another survivor, a 20-year-old girl from Los Angeles, said the collision occurred without warning. "I felt a pressure and heard the sound of the crash and things were falling on top of me," she said. As the survivors staggered from the flaming wreckage, Spaniards at the airport rushed out to help. "The people at the airport gave us money and tea and everything," she said. The girl, who asked not to be identified, said her father was killed in the crash, but she and her mother were able to reach safety.

Many of the American victims were pensioners about to set off on an Atlantic cruise for which they had paid \$1,800. American embassy and consular officials



PILOTS GENERALLY agree that Los Rodeos airport in Santa Cruz de Tenerife is poorly situated. Built on a 2,000-foot high plateau, it is subject to sudden weather changes and the descent of low-flying clouds which regularly suspends operations for hours at a time. It is also exposed to dangerous, sudden crosswinds such as those which jet to flip over and crash on take-off three years ago, killing 155 people.

The problem is recognised by the island authorities who, after the 1972 crash, had plans drawn up for a new airport on the south of the island where the weather is more suitable.

Although it has not been suggested that the airport lacks adequate air traffic control equipment, it has been claimed in some quarters that poor

visibility was a major factor in Sunday's crash.

According to the Spanish national news agency Chira, Captain Victor S. Grubbs, the captain of the Pan Am jet involved in the crash, blamed ground fog for the collision: "We did not see anything until it happened," he was quoted as saying. But International Air Transport Association President Sr. Manuel del Prado y Colón, asked about the role of ground fog in the accident, told a news conference "visibility was not below accepted minimum standards."

Despite the regular criticisms of the airport's meteorological conditions, experts consider these acceptable if proper care is exercised, such as the observation of such minimum visibility standards.

Apart from the 1972 crash there have been three major air accidents on the island:

1968: Spantax DC-3. One dead.

1967: Spantax DC-9. 31 dead.

1966: Iberia Super Constellation. Crashed into airport equipment on the runway. 60 dead.

Los Rodeos carries an important part of the holiday air traffic arriving and leaving the Canary Islands and its runway meets the conditions necessary for jumbo jets. The number of air traffic controllers on duty yesterday is said by the authorities to have been "adequate."

In Washington, a spokesman for the Airline Pilot's Association International, the largest pilots' group in the U.S., said that the Tenerife airport was not on any U.S. airline's regular run, and that consequently there never had been any official evaluations as to its safety. He refused all comment on the crash.

# 'We did warn you,' declare terrorists

MADRID, March 28.

THE FACT that both jumbo jets found themselves diverted yesterday afternoon to Tenerife was due to a bomb explosion shortly after 1 p.m. in the airport building at Las Palmas, their destination.

One person was seriously injured and another seven slightly hurt when the time bomb went off in a flower shop on the first floor of the airport building. Responsibility has been claimed by the increasingly active Movement for the Self-Determination and Independence of the Canary Isles (MPLAIC).

"We are at war with Spain and these are the consequences," said a spokesman from the movement speaking to-day from Algiers. He recalled that several months ago the MPLAIC had warned tourists about the danger of visiting the islands.

However, he denied absolutely that the independence movement had anything to do with the disaster. The movement would be temporarily lifting its operations before resuming the "armed struggle" which, he threatened, would be extended to the Spanish mainland.

The Canary Islands have been the scene of repeated clashes between demonstrators and riot police in recent months. Much of the unrest stems from the handing over more than a year ago of the former Spanish Sahara to Morocco and Mauritania.

The Sahara had important economic links with the Canaries while those Sabarians who were bitterly opposed to the "sell out" either came to live in the Canaries or went to join the guerrillas of the Frente Polisario, the Algerian backed group which is fighting for the independence of the Sahara and has been involved in frequent clashes with regular Moroccan troops.

# almost happened in Chicago

PALMER

THE confusion existed out the accident, air-traffic controllers have already similarity between it and an almost identical one that occurred in Chicago's O'Hare Airport.

On the occasion an aircraft took off speed, saw the Delta Air-North Central Airlines

Central pilot, despite his slow speed, managed to pull his aircraft into the air and "hop" over the back of the Delta aircraft.

The tall section of the North Central plane did hit the Delta aircraft, but fatalities were few. The North Central pilot was awarded a medal for his skill.

Pan Am to-day refused to talk about its insurance cover, or to discuss the possibility that criminal negligence charges could arise out of the crash. The airline, America's largest international flag-carrier, is known to have extensive aircraft and passenger cover through U.S. insurance brokers.

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**CHAIRMAN'S STATEMENT**

For the six months ended 31st December, 1976 earnings disappointing 8.5 cents per share. Trading conditions difficult and are expected to be worse during the six months ended 30th June, 1977, so that only a profit can be expected during that period.

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Its S.A. Limited had a difficult time due to declining sales in a declining market, aggravated by a sharp increase in the cost of raw materials. This was met by a retortment in production levels. All possible steps taken to reduce overheads.

Profits of Dodo Shoe Company Limited fell substantially.

Board has employed an internationally renowned consultants to examine problem areas, to help in the operation of the Group, to advise on cost savings and increase the Group's market penetration.

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Management and the Board are fully alive to the challenges facing the shoe industry generally and the Group in particular and are giving constant attention to these.

In accordance with the Board's conservative dividend policy, reduced interim dividend of 1 cent per share has been declared.

**B. DODO,**  
Chairman

March 1977

B. Dodo, U. M. Simon, M. M. Dodo, N. J. Dodo, S. M. Michel, L. Krassin, V. G. Mansell, Alternate Director.

**Disaster**

This accident is certainly the worst of any American airline in nearly a year and a half; the most recent air disaster involving a U.S. carrier was in June, 1975, when an Eastern Airline 727 crashed at John F. Kennedy Airport.

This morning all of America's major airlines refused to comment on what the impact of such a major accident would be on immediate ticket sales. However, it is generally accepted that fares for any airline involved in an accident after a crash, but usually recover quickly in the weeks afterwards.

**Philippine energy**

Philippines moved their watches forward an hour yesterday as the country went into Daylight Saving Time to conserve energy. Miguel Suarez reports from Manila.

The Government expects to save a total of 42m.kw. hours of electricity a day. The measure will be in force until June 8. Wide areas of the main island of Luzon have been hit by power blackouts for several weeks.

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AMERICAN NEWS

Venezuela to sign \$1.2bn. Eurocurrency credit deal

BY HUGH O'SHAUGHNESSY

THE REPUBLIC of Venezuela will today sign a seven-year Eurocurrency credit with 111 banks for a total of \$1.2bn. Interest will be 1 per cent over London Interbank Offered Rate. The money will be used to finance a number of public sector projects scheduled to be carried out under the 1976-80 development plan.

Venezuelan state for the foreseeable future. The credit would go to finance the raising of Venezuela's steel-making capacity from 1.2m. to 5m. tonnes a year, the tripling of electricity generating capacity to 12m. KW, the expansion of aluminium production from 50,000 to 400,000 tonnes a year and similar major plans.

President of the Central Bank, added likewise that, though the national accounts registered a \$266m. balance of payments deficit, this figure took no account of the \$700m. in foreign exchange that is in the hands of Petróleos de Venezuela, the state oil holding company.

Record monthly U.S. trade deficit

By Our Own Correspondent

WASHINGTON, March 28. THE U.S. trade deficit last month at \$1.87bn. was the largest ever recorded and once again reflected the price the U.S. is paying as oil imports continue to mount.

Bhutto may lift emergency if opposition takes seats

BY DAVID HOUSEGO, ASIA CORRESPONDENT

ISLAMABAD, March 28

MR. ZULFIKAR ALI BHUTTO, the Pakistan Prime Minister, has offered to lift the state of emergency if the opposition would agree to refrain from violence and take its seats in the National Assembly.

In public at least, Mr. Bhutto has indicated that he would lift the state of emergency if the opposition would agree to refrain from violence and take its seats in the National Assembly.

promise of judicial tribunals to look into complaints. Mr. Bhutto, however, made no major political initiative. He had been anticipated by the Prime Minister to-night, said that in refusing to bridge from the stance the opposition was through established legal procedures, the government was seeking to establish once and for all in Pakistan that street agitation could not bring about political change.

Carter prepares for energy row

BY DAVID BELL

WASHINGTON, March 28.

PRESIDENT CARTER'S new energy policy, to be unveiled formally on April 20, is expected to propose a number of far-reaching measures, including a major new tax on oil and gas, mandatory insulation of homes and offices, and the prohibition of the use of oil or natural gas in new power plants.

but they will have the effect of preparing the ground in Congress and in the nation as a whole. The first aim of the new package will be to try to bring about a change in energy consumption patterns. The price of oil and natural gas will probably be de-regulated, and there may also be a move to abolish the present distinction between the prices of natural gas within states and the lower price charged for gas which crosses state lines.

federal tax on owners of cars above a certain size. The amount of this tax would vary according to the size of the car. Domestic appliance manufacturers will also have to meet strict new energy efficiency standards, and there is likely to be a mandatory refundable deposit on cans and bottles to encourage consumers to return them.

NEW DIRECTIONS IN INDIAN POLITICS Hurdles lie ahead

BY K. K. SHARMA IN NEW DELHI

INDIA'S Prime Minister, Mr. Morarji Desai, had to scrape the bottom of the barrel to find at least one minister from the south for his 15-member cabinet. He chose Mr. P. Ramachandran, who has been allocated the key energy portfolio but whose leadership and administrative qualities are unknown.

also to the new Congress for Democracy. Mr. Desai has been careful to mention the need to maintain the autonomy of the states, but this does not tackle the basic issues. The Jana Sangh favours a strong centre, as it has for the past 30 years, and has suggested that all State boundaries be scrapped and replaced by four zones. Can the Jana Sangh, a dominant group in the Janata Party, easily forget this when the southern Congress States start making war cries?

Minister Mr. H. M. Patel is a distinguished former civil servant, yet thought to have right wing leanings. He could easily clash with the industry Minister, Mr. Birjla Varma of the Jana Sangh whose main base is among traders and the middle class rather than the powerful business houses. The Agriculture Minister Mr. Prakashsingh Badal comes from an affluent farmers family.

Court ruling aids pay-TV

BY JAY PALMER

NEW YORK, March 28.

AMERICA'S fast-growing pay television industry received a shot in the arm from a Federal Appeals Court ruling that effectively orders the U.S. Federal Communications Commission (FCC) to reconsider and repeal orders limiting and restraining coverage.

wave to central points, the pay-TV signals are carried into participating homes through ground cables. In exchange for total monthly costs of between \$10 and \$20 in city centres to over \$30 in rural areas, subscribers receive not only interference-free commercial TV channels but also feature films and sports coverage without commercial advertising.

The President is expected to stress the need for more conventional nuclear reactors, but to emphasise his growing doubts about the fast-breeder reactor and the use of plutonium. So there is unlikely to be a moratorium on new atomic power plant construction, as environmentalists had hoped.

MAC raises exchange offer

By Our Own Correspondent

NEW YORK, March 28.

NEW YORK City Mayor John Lindsay's plan to raise the exchange offer (MAC), encouraged by an unexpected public response, this morning opted to increase the size of its exchange offer to \$400m. from the initial \$250m.

Trounced

A secessionist movement actually began in Madras; it has remained latent for over a decade but if Mr. Desai is unable to maintain the delicate balance between the centre and states, the separatist tendencies could easily erupt again. Congress was trounced so badly in the northern belt that its present parliamentary party is composed almost entirely of southern members. Hence when the Lok Sabha (Lower House of Parliament) began its first session last week, the regional nature of both Janata and Congress parties was ominously apparent.

This is probably why Mr. Desai wants elections to States held quickly, even though most of them are not due for a year; he obviously hopes that the Janata Party will oust the Congress Government in nearly all the States. He also wants State elections to be held quickly, even though most of them are not due for a year; he obviously hopes that the Janata Party will oust the Congress Government in nearly all the States.

Moderate

The new External Affairs Minister, Mr. Atal Bihari Vajpayee of the Jana Sangh, is more moderate than his ultra-nationalist colleagues and will have to dilute the anti-Pakistan, anti-China stand his party has always taken. The Prime Minister has actually torn up the Indo-Soviet Treaty of Friendship signed by Mrs. Indira Gandhi and the pronounced tilt towards Moscow is expected to come to an end since Mr. Desai favours strict non-alignment. In foreign relations, as in most other aspects of administration, the original members of the cabinet were carefully given to give an equal share to personalities concerned try to carry out policies unacceptable to colleagues belonging to other constituencies of the Janata Party. There will be economic policy differences. The new Finance

U.S. AGRICULTURAL WORKERS

Chavez gathers in the crop

BY MARK BLACKBURN IN LOS ANGELES

A BITTER fight between trade unions in Western U.S. agriculture has been settled by the signing of an agreement between the Teamsters Union and Mr. Cesar Chavez's United Farm Workers. Mr. Chavez has obtained the capitulation of the Teamsters who are withdrawing from organising farm workers in the western U.S.

The inter-union agreement which has suddenly created this new situation was signed early in March by Mr. Chavez and Mr. Andy Anderson, director of the Western Conference of Teamsters in the presence of the Farmers' president, Mr. Frank Fitzsimmons. It awarded the packing-shed workers to the Teamsters, whom it has controlled for decades and gave Mr. Chavez's United Farm Workers (UFW) all field workers and any others employed directly by a farmer—the very people whom the Teamsters snatched away in 1973 by a raid which reduced Mr. Chavez's union from about 50,000 members to 5,000 within a year.

remarkably, he may receive aid from the Teamsters and come to their assistance if required. "We're going to have co-operation between the two unions," Mr. Chavez said, particularly in the area of legislation. If the existing frozen-food co-operative or a cannery, we'll be glad to help." Reminded that he had often accused the Teamsters of signing collusive "sweet heart contracts" with the growers to steal his men away, Mr. Chavez said sunnily: "In the heat of battle you say many things."

gave in and signed with the UFW in 1970. But the growers became restive and turned to the Teamsters. UFW contracts expired in 1973. They disliked the union which had secured their men under the UFW contracts; the Teamsters let them return to the ancient system of labour contractors, hated by the UFW, and required only that the men supplied join the Teamsters Union and pay Teamsters dues.

Argument

Driven off in the fields by violence when he attempted to talk the Teamster workers out on strike, Mr. Chavez turned against the boycott, expanding it this time to include lettuce and some wines. But what he needed was a law.

Podgorny meets Nkomo, Nujoma

MR. JOSHUA NKOMO, joint leader of Rhodesia's Front, and Mr. Sam Nujoma, President of the South-West Africa People's Association (SWAPO) met Soviet President Leonid Podgorny at the Soviet Embassy here today, apparently to discuss the future of the guerrilla wars in which both organisations are involved.

LUSAKA, March 28.

On the alliance claimed to exist between him and Bishop Abel Muzorewa, the leader of the United African National Council, Mr. Sithole said it would be "criminal" to join the bishop. He was not clear whether the holding of any referendum in Rhodesia at the moment is irrelevant, the Rhodesian nationalist leader the Rev. Ndabavhile Sithole declared here today. The Rev. Sithole, who disputes the leadership of the Zimbabwe African National Union with Mr. Robert Mugabe, said he preferred a referendum to a constitution under one man one vote. Any referendum at the moment would benefit the white minority.

Dayan threat to quit Labour Party in Israel

TEL-AVIV, March 28.

MR. MOSHE DAYAN, a former Israeli Defence Minister, threatened to leave the Labour Party, which would further impair its strength. Mr. Dayan has made his running for the Knesset (parliament) on the Labour slate conditional on the party giving a formal undertaking that no withdrawal from the occupied West Bank will be made without a general referendum or a new general election.

Indonesia tankers denial

JAKARTA, March 28.

THE INDONESIAN Government today firmly denied reports that it was close to settling various tanker charter disputes with the Bruce Rappaport, a Geneva-based ship charterer. The two Ministers charged with resolving the issue conformed, however, that even after the rejection of Mr. Rappaport's December 1977 offer of \$25-4m. to a contingent of 100-150 ships, his legal counsel sought to open further settlement negotiations. These proposed talks, according to the Minister for Admini-

Dayan threat to quit Labour Party in Israel

APDJ

Jana starts prom undo dama

By Our Own

THE NEW DEPARTMENT to restore the full and freedoms removing the them by Mrs. The includes draconian Internal Security under which thousands will be given the benefit of the acting president Jatti told a joint two Houses of among the Aei was that place scrutiny of the action of the Prime Minister or set would be a judicial inquiry of the Press Jatti would be Dr. Jatti's removal plans to stitution "to balance between and the judiciary and the executive and the Government founding the stitution had a brief the Govern undo. The dama contribution by Mr. Jatti re- tion of the programmes and participation of totally voluntary granules become part of a camp covering education family and the Government remove the years and in of the rural set The Govern foreign policy on friendly neighbours and the world of equality and non-alignment Minister has been seeking a way in the regular budget papers, a heavy additional country has over Government its existing, except check inflation.

SWAPO offer to S. Africa

The black nations SWAPO leaders direct talks to transferring power Africa. Reuter-Windhoek. The additional on South Africa political prisoners from the Indo-Soviet Treaty of Friendship signed by Mrs. Indira Gandhi and the pronounced tilt towards Moscow is expected to come to an end since Mr. Desai favours strict non-alignment. In foreign relations, as in most other aspects of administration, the original members of the cabinet were carefully given to give an equal share to personalities concerned try to carry out policies unacceptable to colleagues belonging to other constituencies of the Janata Party. There will be economic policy differences. The new Finance

Japan rail set

Japan's railway day launched the day labour offensive, halting morning commuter services and western city of JR reports from Tokyo.

Thai treason

An army general and accused of leading coup at the week from Bangkok. Go Hiranyasiri, a lieutenant and three majors were late on Saturday hours after they had been arrested. One of the one general who re along with the rebels said.

PLO talks offer

The Palestine Liberation session is preparing to issue with U.S. The nature of American policy to Mr. Farouk Kaddoufi reports from Cairo. We are giving in the opening of a dialog said.

UAE bank licen

The currency board of Arab Emirates has licen for two additio neral banks in Dubi. The banks are Abu Dhabi Bank and Union Bank Middle East, owned by a group of Dubai and 10 per cent by Sa Finance Corp. and to Ghauri family.



Who On its Mars Guide Gent

ON OTHER PAGES International Company New Dresdner Bank issues wire property, insurance and other services. EEC farm talks background

WORLD TRADE NEWS

Emergency seats

DUTCH natural gas... onshore and offshore... amounting to 6,900 cubic metres on...

But with a few... the gas fields located... are only being of a very...

expects... sales rise... PORTS to Holland are...

ports to Holland are... to exceed the \$5bn... current year according...

United Arab shipping line starts up this week

A POTENTIALLY major development in Middle East shipping moves ahead this week...

Based initially on the management and vessels of the Kuwait Shipping Company...

Montedison and Petrofina in joint polypropylene project

MONTEDISON of Italy and Petrofina of Belgium have now given the go-ahead for their projected 150,000 tonnes per year polypropylene plant...

Scott Lithgow contract

SCOTT LITHGOW, the Lower Clyde shipbuilder, has been awarded a £15m contract for a passenger and cargo ferry...

The vessel will be built at the company's Ferguson Brothers yard which specialises in small ships...

Scotch exports rise by 12%

SCOTCH WHISKY exports in the first two months of 1977 rose 30.6 per cent in value to £77.4m...

Japan and U.S. plan TV talks

TOKYO, March 28. THE JAPANESE Ministry of International Trade and Industry (MITI) said Japan will propose early this week that it and the U.S. hold Government level talks...

The Commission has recommended a 25 per cent. increase in colour TV sets to 25 per cent. from 5 per cent. to protect the U.S. market...

Missions to the Midlands

TWO HIGH-POWERED Japanese trade missions concentrate in the Midlands this week to promote more exports from the heartland of British industry...

Nippon Steel holds world lead

NIPPON STEEL held its position as the western world's biggest steelmaking company in 1976 with production of 34m tonnes...

proved by the very few changes in the world steelmaking league positions between 1976 and 1977.

Table with 3 columns: Rank, 1976 (m. tonnes), 1975 (m. tonnes), Ranking in 1975. Lists top 12 western steelmakers including Nippon Steel, U.S. Steel, British Steel, Bethlehem, Nippon Kokan, Finsider, Sumitomo, Kawasaki, August Thyssen-Hütte, National Steel, Republic Steel, Usinor.

Who sent Viking on its way to Mars and helped guide it to a gentle touchdown?

GENERAL APPOINTMENTS

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ECONOMIC JOURNALIST The weekly Johannesburg Financial Mail needs an experienced economist/banking journalist to write policy leaders of the highest quality.

Finance Director for a public company with very strong Middle East connections, and engaged in engineering and the manufacture of construction components. Sales are accelerating above £10 million.

BANKING, INSURANCE AND LEGAL APPOINTMENTS

The Allied Hambro Group Professional Agents Services LONDON AREA MANAGER £4,500 with excellent benefits. Allied Hambro is one of the largest unit trust management groups in the U.K. and a subsidiary of Hambros Bank.

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Eurobond Trader The London affiliate of a major consortium banking group is seeking an additional executive in its Eurobond department.

ECONOMIC RESEARCH OFFICER £4,500 NEG. International Merchant Bank in the City seeks a graduate with at least 2 years' experience in Economic research work.

Solicitor or Barrister for Middle East CITY OF LONDON solicitors require a young solicitor or barrister for their Gulf offices. Length of service will be negotiable and preceded by a period spent in the City office to acquire knowledge of clients and practice.

LEGAL APPOINTMENTS For further details on advertising in the Legal Appointments section contact James Jarratt on 01-248 8000, ext. 539.

HOME NEWS

ICI £35m. fertiliser boost

BY RHYS DAVID, CHEMICALS CORRESPONDENT

A further expansion of ICI's fertiliser manufacturing facilities at Billingham, Cleveland, is to be undertaken by the group at a cost of £35m. to keep pace with increased demand in the 1980s.

A new plant is to be built with an annual capacity of 430,000 tonnes a year of Nitrom ammonium nitrate, the basic constituent of nitrogen-based fertiliser.

A second, associated plant is also planned to manufacture 250,000 tonnes of nitric acid—a raw material used in ammonium nitrate production. Both plants are due to come on stream in 1979.

ICI, which says the plans show its confidence in the future of British farming, has been criticised recently for its dominance of U.K. fertiliser manufacturing.

One of the smaller U.K. suppliers of nitrogen fertiliser, Thames Nitrogen, is having talks with the Department of Industry to save its plant at Rainham, Essex from permanent closure.

Thames has 8 per cent. of the U.K. market, mainly in South-East England, and relies on imported ammonia. Recently its supplier, W. R. Grace of the U.S., increased its price by a sixth.

Thames claims that this increase will make it impossible to compete in the U.K. market against ICI, which manufactures ammonia from natural gas obtained under a favourable long-term contract with the British Gas Corporation.

British Gas has been seeking a revision of this contract, which was negotiated before the oil crisis. A decision is

expected by the middle of the year. The two parties have referred a disagreement over a hardship clause in the contract to an independent arbitrator.

ICI's investment will take advantage of the company's substantial build-up in recent years in ammonia production based on its cheap natural gas supplies. Not long ago the company started up a new ammonia plant at Teesside, which will add a further 300,000 tonnes to capacity.

This will bring total ICI ammonia output to 1.7m. tonnes.

ICI has more than half the total U.K. ammonium nitrate capacity of about 1.3m. tonnes and expects demand to grow more strongly than for the alternative compound fertilisers.

Thames Nitrogen has been calling for Government measures to make supplies of ammonia available to all fertiliser producers at the same price. This would avoid the market distortions caused by the very low ICI gas price.

The company has suggested that the Government should construct a plant based on North Sea gas or that ICI's cheap ammonia should be allocated to all producers in relation to market share.

A new plant to increase production of the sequestering agent ADPA 60A (acetq-diophosphonic acid) for the U.K. and European markets, has been commissioned by Albright and Wilson at the company's Oldbury complex. It will increase annual capacity by over 250 per cent.

Oil, gas prices to rise in April

By Ray Dafter, Energy Correspondent

FUEL PRICES will rise substantially next month as a result of action taken in the oil and gas industries yesterday.

Esso Petroleum applied for an increase of between 2½p and 3p a gallon on the wholesale price of all its fuels. The application is in line with the one submitted by Shell U.K. on Friday. BP Oil is among other companies expected to seek a price rise.

Gas prices will also rise by an average of about 10 per cent. on Friday as a result of an order signed yesterday by Mr. Anthony Wedgwood Benn, Energy Secretary.

The adjustment in gas tariffs follows the December economic package. British Gas was ordered to reduce its borrowings by putting up prices, although the corporation made it clear that, under normal Price Commission rules, it could not justify such a rise at this time.

British Gas will now go ahead with a new tariff structure which should yield an extra £100m a year. Two-tier credit tariffs will be replaced by a single domestic credit tariff.

Competitive

The Gas Corporation maintains that, with other fuel costs rising this summer, gas prices will remain competitive. It claims that the competitiveness of gas prices is putting considerable pressure on the prices they can charge where the two fuels compete. Competition is also fierce on the garage forecourt, where oil companies are striving to maintain market shares at a time when petrol sales remain fairly stable.

As a result, it is far from certain that the rises being sought by oil companies will be implemented in full.

Parliament Page 12

Tarling appeal date fixed

By Margaret Reid

MR RICHARD TARLING'S appeal against extradition to Singapore to face charges connected with the conduct of Haw Par Brothers International, of which he was formerly chairman, is to be heard on April 25.

The appeal is to be by way of an application for a writ of habeas corpus. It marks the next stage in Mr. Tarling's fight against the decision by Mr. Kenneth Barraclough, the Chief Metropolitan Magistrate, on January 23 in favour of the Singapore Government's request for his extradition.

Insolvency law committee

Financial Times Reporter

THE INSOLVENCY law committee, set up last October under the chairmanship of Mr. Kenneth Cork is asking interested parties to submit evidence by June 30. Part of that evidence will be a report from the committee which will also examine the possibility of formulating a comprehensive insolvency system covering both personal and corporate insolvency.

Tyne likely HQ for State shipbuilding

By Our Shipping Correspondent  
THE LONG-AWAITED announcement of the location of the headquarters of Britain's newly nationalised shipbuilding industry is expected shortly. Tyne-side now looks likely to house the British Shipbuilders' offices after more than a year of uncertainty during which it seemed certain to be runner-up to Merseyside.

Pardoe warning: adopt our ideas

By Richard Evans, Lobby Editor

MR JOHN PARDOE, the Liberal economic spokesman, warned Ministers last night that his party would want to see many of their ideas contained in the Queen's Speech for the next session of Parliament in the autumn.

"We give notice to the Government here and now that we have not come along just for the ride—we are in the business to get things done," he said.

Mr. Pardoe insisted, in a speech in North London, that the pact between the Government and the Liberals was more than a survival kit, and if Labour had run out of a legislative programme, the Liberals would have more than enough for both parties.

His comments, clearly aimed at persuading fellow Liberals to realise the significance of the pact, will come as a minor embarrassment to Mr. Callaghan, who still faces some criticism from his Left wing for entering into the agreement. But Ministers accept that the Liberals have to make the maximum impact they can.

After talks with Ministers on the setting up of the machinery for consultation, Mr. David Steel the Liberal leader, yesterday announced the names of his Shadow administration which will liaise with the Government on a wide range of policies.

There are very few changes from the previous line-up, and Mr. Steel will continue to supervise devolution policy in an attempt to counter adverse reaction in Scotland to the party's opposition to the Government's guidelines on the Scotland and Wales Bill.

His Shadow administration is: Race relations: Lord Avebury. Social services: Lord Banks. Chief Whip and Education: Mr. Alan Beith.

Leader in the Lords: Lord Byers. Northern Ireland and Broadcasting: Mr. Clement Freud. Energy: Mr. Jo Grimond.

Defence and the Law: Mr. Emily Hooson.

Wales and Agriculture: Mr. Geraint Howells.

Scotland and eventually devolution: Mr. Russell Johnston.

Without portfolio: Lord Mackie.

Treasury: Mr. John Pardoe.

Transport and Environment: Mr. David Penhaligon.

Housing and Local Government: Mr. Stephen Ross.

Prices and Consumer Protection: Baroness Sears.

Employment: Mr. Cyril Smith.

Foreign and Commonwealth Affairs: Mr. Jeremy Thorpe.

Trade and Industry: Mr. Richard Wainwright.

Chief Whip in the Lords: Lord Widdowson.

Health: Lord Winstanley.

Big banks call for tax indexation

BY MICHAEL LAFFERTY, CITY STAFF

RENEWED PRESSURE for the protection should be given to the taxpayer.

They recommend that no new taxes should be introduced until Parliamentary time and facilities have been allowed to consolidate existing tax legislation and correct anomalies which have arisen as a result of piecemeal amendments.

Better-off students will keep grant at increased rate

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

ABOUT 19,000 students from better-off families will have an unexpected £50 bonus next year as a by-product of 15 per cent. increases in student grants announced by Mrs. Shirley Williams, Secretary for Education, in the Commons yesterday.

The £80 grant from taxpayers' funds will be additional to the relief the Government had already promised to better-off British students on degree and similar courses entitling them to "mandatory" student grants by cancelling from next autumn their obligation to pay tuition fees.

In return for this concession they had until yesterday been expected to lose their minimum grant, at present £50. Mrs. Williams's announcement indicated that instead it will rise to £80.

The Education Secretary has provided relief for middle-income families by raising the limits of residual income, calculated after deductions for such items as mortgage interest and allowances for other dependants, allowed parents

before their student children's grants start to be reduced on a pro rata basis.

Instead of the present £2,700 residual (about £3,900 gross), for the next academic year parents will be allowed £3,200 residual (about £3,900 gross) before their children's maintenance grant falls below the full rates.

These will be for: Students living at home while taking undergraduate or equivalent courses, £785 (at present £675).

Similar students living in hall or lodgings elsewhere than London £1,010 (£875).

Similar students living in hall or lodgings in London £1,145 (£955).

Postgraduate students; corresponding rates of mandatory grant respectively £1,075 (£925); £1,475 (£1,270); and £1,855 (£1,350).

The Government estimates that these increases will raise the total cost of mandatory awards by about £50m to £515m in 1977-78.

The National Union of Students, which yesterday elected 27-year-old Communist Miss Sue Slipman as its first woman president, described the new rates as still "seriously inadequate" for most of its members.

Consultations between the Government and the various interested parties start soon, with a view to making more radical changes in structure as well as rates of the student grant system in future years.

Mrs. Williams announced that the universities will suffer only a 1 per cent. reduction in their income for 1977-78, instead of the 4 per cent. cut they had feared. The universities' total recurrent grant for next year, at 1978 survey prices, is to be £562m, with an extra £35.1m for furniture and equipment. Both will be fixed as cash limits.

To give the university sector some basis for longer-term planning, the Government has put forward provisional corresponding figures for the three succeeding years: 1978-79—£566m, plus £38m; 1979-80—£564m, plus £39m; 1980-81—£572m, plus £42m.

Tate tests jungle fruit 1,500 times as sweet as sugar

BY DAVID FISHLICK, SCIENCE EDITOR

TATE AND LYLE may launch a new food sweetener called Tajin in North America as a replacement for saccharin, banned this month by the U.S. and Canadian Governments.

Like sugar, the new sweetener is a naturally occurring compound. It is extracted from a jungle plant called Thaumaococcus daniellii which grows widely in West Africa.

Unlike sugar, it is a protein of no calorific value, while weight for weight it is at least 1,500 times as sweet. However, it tends to lose its sweetness in boiling water, ruling out its use in hot drinks.

It could take a further three years of long-term toxicity testing to clear Tajin with the U.S. Food and Drug Administration.

The compound must then be extracted and purified, by techniques patented by Tate and Lyle.

Attempts to cultivate the plant under glass at the company's Reading research laboratories have been abandoned. The company peels and dries the one-ounce fruits before sending them to Britain for processing at its research centre.

Tajin has a unique flavour which can be considerably modified, the researchers have found, or can be used to enhance other flavours. It can be used to sweeten soft drinks.

Tate and Lyle Group Research and Development: annual report, PO Box 68, Reading, Berks RG6 2BX.

Road plan assessment 'helpful'

BY IAN HARGREAVES

ATTACKS on the Department of Transport's methods of assessing the cost benefit ratios of new road schemes have aimed at halting the roads programme

rather than improving the technique of assessment, according to the British Road Federation.

The federation, in written evidence to the Leitch Committee on trunk road assessment, says that the present method of assessment and its associated traffic forecasting methods make "a helpful contribution to decision-taking."

Its main complaint is that the standard of appraisal applied to trunk road investment is limited, choosing between road schemes, and is not extended to a consistent basis to all transport schemes of all forms of public expenditure.

The federation says that the method ignores or undervalues some important benefits from

techniques, as well as undervaluing certain costs. The present method has the virtue of simplicity.

The key question is not the detail of the assessment system, but the political decisions about the future of transport which underlie it. These should recognize the increasing level of car ownership, and the importance of road freight to the economy.

The Leitch Committee has received more than 50 pieces of written evidence, and will decide before Easter which witnesses it wishes to question orally. Its report will be published in late June.

NHS reorganisation 'used as scapegoat for troubles'

THE THREE-YEAR-OLD NHS quality of care, the "See-saw" reorganisation of the National Health Service has been used as a scapegoat to explain away many of the service's problems, the pharmaceutical industry's Office of Health Economics said yesterday.

Empire-building by administrators and excessive bureaucracy were not really to blame for problems which seriously threatened to undermine the NHS. It was rather the demands by nurses, pharmacists, other health service workers and the unions for consultation which had helped glue up the NHS machinery and make for the slow and complex decision-making about which the staff now complained.

Study of city problems

PEOPLE and jobs will continue to move away from inner city areas until they are brought up to the same environmental standards as towns and villages, the Town and Country Planning Association said yesterday.

A report from the association urges a direction of resources to combat the problems of the inner-city areas. A Cabinet sub-committee studying the problems is expected to report shortly, and the Government's proposals could be implemented before the local elections on May 5.

Leyland calls in 290,000 cars that may be faulty

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

ONE OF the biggest U.K. car makers, Leyland, Dolomite, Dolomite recall programmes of recent Sprint and Lanchester Rovers—are years is being mounted by being sought to check for front

British Leyland in an attempt to brake hose faults.

These brake tests, on vehicles trace about 290,000, which could have equipped made between April and June, 1974, follow a similar exercise in 1974.

Most affected are Austin cars 1975 on Allegros, as well as Allegro models. About 180,000, some Chrysler and Ford models, are being recalled for checks on the problem arose from faulty their front suspension tie rods, materials supplied to Leyland because of signs of metal fatigue. Estimates put the cost of in vehicles driven long distances replacements for the cars being recalled at about £15m.

A further 110,000 owners of replacements needed will be Austin and Morris 18-22 cars free to the motorists, with Leyland (predecessors to the Princess), and itself covering the cost of Wolseley Sixes, Maxis, Triumph, the tie rods, which are manufac-

tured in-house, and hoses subject to a between the company suppliers.

The company is achieve higher rates than have been set past. To help the Computer records, at Vehicle Licensing Swansea have been give the names of the affected.

Leyland itself will individual customers to take the cars to the for the necessary check

NOTICE OF REDEMPTION

To the Holders of OTIS ELEVATOR INTERNATIONAL CAPITAL CORP.

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NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of May 1970 providing for the above Debentures, said Debentureholders are hereby notified for redemption on May 1, 1977, of \$500,000 principal amount through operation of the mandatory Sinking Fund and \$1,500,000 principal amount through operation of the optional Sinking Fund, at the redemption price of 100% of the price amount thereof, together with interest accrued and unpaid to said date:

DEBENTURES OF \$1,000 EACH

Table with columns for Debenture ID, Issue Date, Maturity Date, and Amount. The table lists numerous individual debentures with their respective details.

Payment will be made upon presentation and surrender of the above Debentures with coupons due May 1, 1978 and subsequent coupons attached to the main office of any of the following: Morgan Guaranty Trust Company of New York, 35 Broad Street, New York, New York 10013; Morgan Guaranty Trust Company of New York, in Brussels, Frankfurt am Main, London and Paris; Banca Vonwiller & C. S.p.A. in Milan; Bank Mees & Hope N.V. in Amsterdam; and Kreditanstalt S.A. Luxembourg in Luxembourg.

On and after May 1, 1977 interest shall cease to accrue on the Debentures selected for redemption.

OTIS ELEVATOR COMPANY

Dated: March 29, 1977

NOTICE TO THE HOLDERS OF DEBENTURES OF \$1,000 EACH

OTIS ELEVATOR COMPANY

Who is building a new helicopter to advance the offshore search for new oil and gas supplies?

هل من المصنع

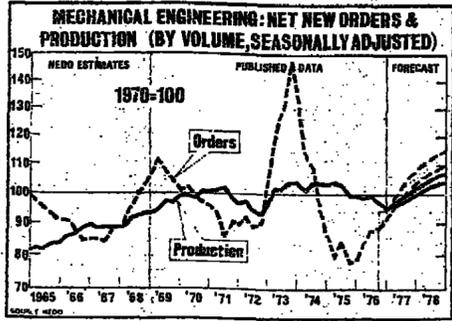
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### HOME NEWS

## Modest growth likely in engineering orders

KENNETH GOODING, INDUSTRIAL CORRESPONDENT

MECHANICAL engineering industry must prepare itself for a modest increase in demand over the next 18 months, according to a report from the short and working party of the Royal Engineering Economic Development Council.



...new orders for the year should be between 10 and 15 per cent. New orders are expected to peak in 1977, with an increase of 5 to 10 per cent over 1977. Working party points out comparison with earlier cycles and given the recession, increases imply only a slight rise in demand.

The increase in demand for mechanical engineering products should be spread widely across manufacturing industry, but particularly coming from export intensive industries such as engineering, transport, equipment and chemicals.

### Transport

It will also "tend to reduce the profitability and hence the attractiveness to companies of any major expansion of export business."

The main impetus to demand from overseas for the industry is likely to come from the U.S. as a result of the Carter Administration's action to increase the growth of the American economy, and from Japan.

In the U.K. despite prospects of only a slow growth of gross domestic products in 1977 and anxiety about such things as inflation and profits, the working party is looking for some increase in investment demand in 1977 and 1978, particularly from manufacturing industry.

"This is partly a backlog of investment deferred during the recession, and partly a consequence of Government measures to encourage investment in manufacturing industry (mainly through the Industrial Act assistance)."

## Nuclear engineers make a start on reprocessing plant

BY DAVID FISHLICK, SCIENCE EDITOR

NUCLEAR ENGINEERS at Dounreay, in the north of Scotland, have begun to commission Europe's latest reprocessing plant for spent nuclear fuel.

The plant, in a top-security area of the Dounreay experimental reactor establishment, will deal with spent fuel from the 250MW prototype fast reactor nearby, reclaiming plutonium and uranium for recycling as fresh fuel.

It is one of the most advanced chemical plants of its kind in the world, developed at a cost of £3.5m. from a plant used previously to reprocess 12 tonnes of highly enriched uranium fuel from the Dounreay experimental fast reactor.

According to Mr. Clifford Blumfield, director of the Dounreay establishment, the plant has already refuted one charge made by environmentalists — that reprocessing plants

Who moves the equivalent of the world's population by elevator and escalator every nine days?

## Comarty may start refinery this year

R INVERNESS CORRESPONDENT

CONSTRUCTION WORK on a refinery in Scotland is well advanced this year, it was announced yesterday.

The controversial Nigg refinery, designed by the Shell and Esso companies, is expected to be completed by the end of 1978.

to handle up to 500 ship movements a year, was inevitable, he told the conference, sponsored by the Highlands and Islands Development Board, and the Aberdeen Press and Journal.

Mr. Ian Clark, a director and senior executive of the British National Oil Corporation, said that Aberdeen's oil-related development could be "child's play" when set against prospects for the Moray Firth.

"Our exports have more than doubled in the past two years and in the last ten years they have increased tenfold."

## Furniture exports help trade balance by £20m.

ES McDONALD

EXPORTS of furniture manufacturing, including exports to the United States, last year were valued at £20m more than in 1976, according to an annual report of the Furniture Manufacturers' Association.

In 1976, international trade in furniture swung heavily in Britain's favour, with exports exceeding imports by nearly £20m, says the report.

The increase in furniture exports is due to a combination of factors, including a rise in the value of the pound and a decline in the value of the dollar.

This performance, the report says, also represents a substantial increase in volume — equal to about 30 per cent — after allowing for inflation.

## Protecting privacy could double computer cost

DAVID FISHLICK, SCIENCE EDITOR

THE cost of safeguarding computer installation. He quoted the individual could Mr. John Diebold, the U.S. consulting to the smaller management consultant, as saying, an MP told the House of Commons last night more than double the basic cost of a computer system.

Mr. Diebold, the U.S. consulting to the smaller management consultant, as saying, an MP told the House of Commons last night more than double the basic cost of a computer system.

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\*By international agreement there is a small charge for in-flight entertainment and for alcoholic beverages in economy class. Occasionally, the choice of meals is subject to availability.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHROETERS

## PROCESSING

### Weighing centre easy to adapt

FIRST of a new family of equipment in the process area, GEC-Elliott Process Instruments new Series 5000 is designed on a building-brick basis to provide a highly accurate weighing centre with ability to interpret and transmit derived information.

## DATA PROCESSING

### Efficient operation

A SEPARATE division has been set up within RTZ Computer Services to market U.S.-designed software for computer system performance monitoring.

## TRAINING

### Safe view of events

REDIFON Flight Simulation has added a new visual system to its equipment for aircrew training. Noroview SP1 is capable of providing dusk and night scenes using computer generated calligraphic techniques with future expansion capability for daylight.

## COMPUTING

### New giant from IBM

FORESEEN on this page on February 15, the IBM 370/3033 central computer (Scorpio) was announced yesterday and is, as expected, now the top machine in the company's range since it is about twice as powerful as the 168.

## MACHINE TOOLS

### Thick plate pierced

CAPABLE of piercing steel plate up to 35 mm thick, an automatic hydraulic 400-ton punching and notching machine has been developed by Hugh Smith (Glasgow), Hamiltonhill Road, Glasgow G22 3PX (041-336 4141).

## COMPONENTS

### Pull in small space

DOUBLE ACTING fixed cushion cable cylinders have been added to the range of pneumatic cylinders from CompAir Maxxa. Suitable for operation in confined spaces, the unit is designed for moving light loads in little more than half the space of a cylinder with longer stroke cylinders has been eliminated.

## INSTRUMENTS

### Pye forms big group

CONCENTRATING important component activities under one grouping, Pye Electro-Devices, which is the result of a merger between Pye TMC Components and Magnetics Devices, took shape yesterday. The company now formed a magnetic department employing 1,000 people at six sites in East Anglia and is one of the largest in its type in Britain.

## HAND TOOLS

### Fast concrete drill

A LIGHTWEIGHT (3 kg.) electric spring, causing a striker to impact directly on the shaft, applications has been introduced by Implex, Amstach, Germany. It ensures that the required hammer rate is maintained regardless of the pressure exerted by the operator on the tool.

## APPOINTMENTS

### MANAGING DIRECTOR For NON-FERROUS SCRAP METAL MERCHANTS

required by Large Diversified Industrial Group to establish a business using surplus land and buildings within 12 miles London.

A substantial salary and bonus will be paid to a fully experienced person and all necessary funds will be made available for this operation. Please reply with full details of experience and employment to date to the Finance Director, Box A5882, Financial Times, 10, Cannon Street, EC4P 4BY.

## The right people, in the right place, that's technology at Warrington

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Post to: Alan John, Warrington Development Corporation, PO Box 43, Warrington, Warrington, WA1 2LF. Phone Warrington (0925) 5144. Telex 627255



You're also in touch with technology nationwide - along the M6 and M62 motorways which Crossover at Warrington; and with world commerce through Manchester International Airport, just 20 minutes along the M56. Working for such pace-setters as UKAEA, BNL and Engineering Polymers Limited, Birchwood people already form one of Europe's most notable scientific communities - with housing and leisure amenities to match their status. Birchwood Science Park offers the right place and the right people for tomorrow's technology.

### Die-casting series from the Czechs

AT THE Foundry 77 exhibition (NEC, Birmingham, April 28-May 6), the first of a new series of horizontal and vertical pressure die-casting machines will make its U.K. debut.

The machine to be shown has a closing pressure of 630 tons and will produce castings weighing up to 8.4 kg from a variety of materials, including aluminium and magnesium alloys. Casting area in the parting plane is 350 x 230 sq. cm, and the no-load cycle time is 18 seconds.

The machine is powered by a 45 kW motor, and will operate in automatic, semi-automatic or manual modes. Optional extras include automatic lubrication of the injection mechanism with water distribution for the die, front yoke and piston holder.

More from Selsam Machine Tool Co. (600 Group), Wood Lane, London W12 7RL 01-743 2070.

### Automates light drilling

TO AUTOMATE the operation of light drilling machines, a hydro-pneumatic system has been developed by Stanray Corp., U.S. When fitted to most modern drilling machines of up to 1/2 inch capacity, it enables one operator to control two or more machines.

The unit develops a force of 550 lb at an air pressure of 80 psi, and has an adjustable feed rate from 1 1/2 to 6 in./min, with fast approach and peck feed facilities. A 540 deg. rotation of the drilling machine cross-shaft is available on the standard unit (for special applications, greater rotation is possible).

Drilling depth is controlled by a stop, operating on the feed air principle, giving a repeatability of 0.002 inch. Peck-feed depths are adjusted on a time basis by a precision controller. Operated by push button, the cycle resets when the required drilling depth is reached or the emergency button is pressed.

Marketed in the U.K. by the Corporation's U.K. subsidiary, Mead Fluid Dynamics, Chesham Way, North Fincham Trading Estate, Feltham, Middlesex TW14 0UF (01-890 0971).

## NOTICE OF REDEMPTION To the Holders of ENTE NAZIONALE IDROCARB

E.N.I. (National Hydrocarbons Authority) 6 3/4% Sinking Fund Debentures due November 1, 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected for redemption on May 1, 1977, the principal amount thereof of \$412,000 principal amount of said Debentures bearing the following serial numbers:

Table with columns: DEBENTURES OF U.S. \$1,000 EACH. Rows listing serial numbers and amounts.

On May 1, 1977, there will become due and payable upon each Debenture the principal thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment of public and private debts, at the option of the holder, either (1) to the corporate trustee of the Debentures, Morgan Guaranty Trust Company of New York, 15 Broad Street, New York, N.Y. 10004, or (2) to the principal office of Banca Commerciale Italiana in Milan or the main office of Morgan Guaranty Trust Co. of New York in London, Brussels, Paris or Frankfurt or the main office of Algemeene Bank Nederland Amsterdam or the main office of Kreditbank S.A. Luxembourg in Luxembourg.

DEBENTURE OF U.S. \$1,000. The following Debenture previously called for redemption has not as yet been presented for redemption: 728 1450 2850 3370 6234 7863 8810 11048 11750 12235 12555 14124 17142 18224 19306 11

ENTE NAZIONALE IDROCARB. BY: MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Fiscal Agent.

March 29, 1977. NOTICE. The following Debenture previously called for redemption has not as yet been presented for redemption: DEBENTURE OF U.S. \$1,000. 728 1450 2850 3370 6234 7863 8810 11048 11750 12235 12555 14124 17142 18224 19306 11

APPOINTMENTS

Halpern is chief executive Burton retail menswear

Ralph Halpern has been appointed chief executive of the new Burton Menswear Group...

Mr. C. E. Ruffler has been appointed a director of HILL SAMUEL AND CO. Mr. R. N. Amos has been appointed chairman of BROWN SIMPLY INSURANCE SERVICES...

Mr. David Hall is to join the group Board of ELECTROCOMPONENTS on April 1. He will continue as managing director of the subsidiary Electroplan.

Mr. Derek Watson has been appointed local director of W. E. NORTON (MACHINE TOOLS) to take charge of the recently formed production turning division.

Mr. C. J. Blount, Mr. M. A. Ingram and Mr. B. G. A. Burton, associated members of HESLTYNE MOSS AND CO. stock-brokers, are to become partners on April 12...

Mr. Jack Brooksbank, currently director of finance, YORKSHIRE WATER AUTHORITY, will become chief executive on the retirement in April of Mr. Arthur Baldwin.

Mr. Julian E. Markham, chairman of Glenage Properties, has been elected president of the INCORPORATED SOCIETY OF VALUERS AND AUCTIONEERS.

Mr. David Worthing has been appointed first director of the BRITISH WOODWORKING FEDERATION and will take up his duties shortly.

Mr. Rex Newton Parry, previously selector for childrenswear and fashion accessories, has been appointed director of ASSOCIATED INDEPENDENT STORES, from January 1.

Mr. Peter G. Engledow, deputy manager, Dover Banking Corporation, London, has been appointed resident manager of the bank's Cayman Island subsidiary, DOV BANKING (OVERSEAS).

Mr. Gerald French has been appointed deputy director of the CLOTHING MANUFACTURERS' FEDERATION and the Shirt Manufacturers' Federation.

Mr. Derek J. Hindley has been appointed a director of SINCLAIR RADIONICS. Mr. Hindley is a senior partner in Urwick, Orr and Partners, management consultants.

Mr. R. W. J. Edwards will retire as chairman of NEW CENTURY VENTURES GROUP from March 31. He has been a director for 25 years.

Mr. Michael D. Farbank, Mr. Christopher Sullivan and Mr. Brian W. Thomas have been elected to the Board of CITY LINK TRANSPORT SERVICES, a subsidiary of City Link Transport 1.

Mr. Anthony Dickinson has retired from the Board of NORTH-EASTERN ROCK BUILDING SOCIETY. He has been a director for 25 years.

Mr. Anthony A. Best, a director of PIKON Holding and Pierson (U.K.), has been appointed a director of PIKON HOLDING AND PIERSON, N.V., of Amsterdam, from April 1.

Mr. Michael D. Farbank, Mr. Christopher Sullivan and Mr. Brian W. Thomas have been elected to the Board of CITY LINK TRANSPORT SERVICES, a subsidiary of City Link Transport 1.

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WESTERN MINING CORPORATION LTD. 9 1/2% NOTES 1982 REDEMPTION OF US\$750,000. NOTICE IS HEREBY GIVEN that pursuant to Condition 4(a) of the Notes, a drawing was carried out on 25 March 1977...

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LEGAL NOTICES

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IMPERIAL RUSSIAN ROUTES. Notice. Current period. Some available. Call: Nans. Ref: 77757 814 9AN.

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# Benn firm on need for gas price rise

BY IVOR OWEN, PARLIAMENTARY STAFF

UNDER CLOSE questioning in the Commons yesterday, Mr. Anthony Wedgwood Benn, Energy Secretary, skillfully avoided a direct response to suggestions that it was too late to initiate the 10 per cent increase in gas prices which will take effect on April 1.

# Poll puts Tories ahead at Stechford

By Rupert Cornwell, Lobby Staff

THE CONSERVATIVES seem well placed to bring off a hair's breadth but sensational victory in Thursday's by-election at Stechford, the Birmingham constituency held for 26 years by Mr. Roy Jenkins, now President of the EEC Commission in Brussels.

# Defence policy 'a gutless animal' - Churchill

BRITAIN'S DEFENCE policy was denounced as a "gutless animal" with "false teeth" by Mr. Winston Churchill, a Conservative defence spokesman, yesterday.

In a Commons attack, Mr. Churchill claimed that the policy had "no muscle, no brain, no flesh and blood, no fibres, no heart, no life support system, and no guts."

# European jobless review planned

By Rupert Cornwell

THIS SUMMER'S European Council meeting in London will make a special review of the Community's progress in the battle against unemployment and inflation, the Prime Minister told the Commons yesterday.

# Labour News Post office's democracy plan echoes Bullock

BY CHRISTIAN TYLE, LABOUR CORRESPONDENT

MINISTERS plan to announce one for an independent chair their consent next week to a Department of Industry two-year experiment for trade union worker directors in the Post Office, Europe's largest employer.

# Print technology deals backed

By Alan Pika and M...

NATIONAL MANUFACTURING union leaders yesterday the need to continue introduction of car technology despite the industry-wide for action.

# Foot urged to reveal pact details

MR. MICHAEL FOOT, leader of the House yesterday firmly "closed the door" to Tory inquiries about Labour's pact with the Liberals.

To a string of written questions about the joint committee being formed, he replied simply: "As these matters concern inter-party relations, I do not intend to report on them to the House."

# Minister rejects 'fiddle' claim

AN MP's claim that there was a "fiddle" over the running down of the William Stern property group, which crashed owing to the Crown Agents £40m, was rejected by Mrs. Judith Hart, Minister for Overseas Development, in the Commons yesterday.

Mr. Dennis Skinner (Lab., Bolsover) said that the Crown Agents would get the greatest possible return on their investments in the Stern empire. He also asked Mrs. Hart to instruct the Receiver to see there were no more "private deals" in selling off property.

# Concorde costs

THE COST of the limited airframe modifications to Concorde authorised by the British and French Governments, is estimated to be £460,000, Mr. Leslie Huchfield, Under-Secretary for Industry, told the Commons yesterday.

Mr. Robert Sheldon, since the introduction of VAT, some representations have been made by antique dealers that the proceeds of the retail export schemes are too demanding on them and their customers and have caused a loss of export trade.

# Hospital dispute declared official

BY OUR LABOUR STAFF

THE DISPUTE involving strike being left to the conscience of workers at five Surrey hospitals was made official yesterday by the Transport and General Workers' Union.

# Go-ahead for safety scheme

BY DAVID CHURCHILL, LABOUR STAFF

THE GOVERNMENT yesterday gave the formal go-ahead to plans for 150,000 trade union-appointed "safety watchdogs" throughout the industry, but confirmed that the appointments would not be made until October, 1978, because of the cost to local authorities.

# Cornerstone

SAFETY representatives and committees were regarded as the cornerstone of the 1974 Health and Safety at Work Act, part of the original Social Contract between the TUC and Government, Mr. Jones said.

Mr. Jones, 56, is the deputy secretary in charge of general expenditure policy and analysis, National Economic Development and in Paris.

# Stricter law on detonator losses studied

THE GOVERNMENT announced yesterday that it is considering whether to make a formal requirement for losses of detonators to be reported.

In a Commons written reply, Mr. Merlyn Rees, Home Secretary, said that anyone holding detonators must possess either a certificate from the police or a licence from the Health and Safety Executive.

# Written Answers

Mr. Julian Ridsdale (Con., Harwich). What was the rate of inflation in the U.K. in December 1977?

Mr. Robert McGinley (Con., Brentwood and Ongar). What would be the estimated amount of revenue lost if employers were able to set off against corporation tax the daily luncheon vouchers amounting to 20p, 30p, 40p and 50p?

Mr. Nicholas Ridley (Con., Cirencester and Tewkesbury). Whether the Government has any plans to take early-retired miners which the National Coal Board has contracted to pay as chargeable to income tax?

Mr. Robert Sheldon. Since the introduction of VAT, some representations have been made by antique dealers that the proceeds of the retail export schemes are too demanding on them and their customers and have caused a loss of export trade.

Mr. Patrick Jenkin (Con., Wanstead and Woodford). In view of the fact that for several weeks earlier in the year there was serious interference with the power in East London, what guidance was given to collectors of taxes in the area about pursuing taxpayers for taxes alleged to be overdue but unpaid because of power cuts?

Mr. Michael Grylls (Con., Surrey, NW). What proportion of the equity in Thwaites and Reed the NEB intends acquiring. How many shares of this acquisition? What is the net current asset value of the shares?

# Ex-TUC man's industrial job

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MR. FRED JONES, a former economist with the TUC, will be in charge of the day-to-day running of industrial strategy and other industrial policy at the Treasury.

# 'Post-pay pact rises agreed'

BY OUR LABOUR STAFF

MR. CLIVE JENKINS, general secretary of the Association of Scientific, Technical and Managerial Staffs and a leading opponent of pay policy, said yesterday his union had already signed agreements with a number of large companies giving substantial rises for some 30,000 members when the present pay policy expires on July 31.

# Ex-TUC man's industrial job

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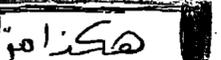
BY PETER RIDDELL, ECONOMICS CORRESPONDENT

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# Severn tidal energy study

Mr. Anthony Wedgwood Benn, Energy Secretary, making an urgent study of the Severn Barrage tidal energy scheme, Mr. Alex Eadie, Under-Secretary, Energy, said yesterday. He told the Commons that a statement on the scheme would be made to the House.

Mr. Ronald Atkins (Lab., Preston N.) had called for appraisal of the barrage scheme. He urged the Government to look at its viability, particularly in the 1980s when oil resources would be reduced.



NEWS  
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# The Management Page

Progress is being made towards appointing worker directors at Harland's Belfast shipyard though some problems have still to be resolved. Roy Rogers reports

## Cautious path to participation

BOTH sides of industry are beginning to debate the merits of the Bullock recommendations on democracy, management and unions at Harland and the Belfast shipyard, and are moving slowly towards participation.

Harland's pay structure was rationalised in 1974 with a Government scheme operation after the yard had been left in a pre-financial position following a prolonged pay strike by workers.

The company's support to the Government scheme was the largest employer's stake in a majority stake in the Government, and promised substantial aid to help it overcome even terms with the Government. But, anxious not to be left behind, the yard had some £68m, of which £10m was used in the preceding years, the Government had improved efficiency, and a full participation scheme was being set up.

David Tinkler was appointed as Harland's industrial manager, which had deteriorated owing to hostility between the yard and the Danish managing director, and the yard's union leaders, culminating in a strike.

When Mr. Stanley Orme, the then Minister of State for Northern Ireland, released a discussion document on worker participation at the yard in early 1976, it eventually resulted in the unions (assisted by Strathclyde University academic, Mr. Frank Stephen) and management agreeing a joint approach.

This involved the appointment of a new 15-man supervisory Board, comprising one third trade union representatives, one third management and one third Government appointees.

Below this a 20-strong joint management council, with members nominated on a 50-50 union-management basis and chaired by the managing director, was to determine how the yard should be carried out. Lower levels included five departmental joint councils: hull production; ship outfitting; engine and electrical; ship repair; and administration and there were productivity committees based on each workshop or section.

Productivity committees have been in operation for some time now through Harland, and although no firm figures are available they are understood to have contributed to a vast improvement in efficiency, involving a reduction in man hours per ton from levels of more than 100 at the time of the 1973 Boilermakers' dispute, to the lower 40s.

New facilities coming on stream and improved management practices also played a part in the yard's efficiency which the company is

still hoping to improve on in order to compete more effectively with foreign competition in general and the Japanese in particular.

The departmental joint councils, some members of which will be drawn from the productivity committees to help maintain continuity, are being set up at this moment but the higher levels have been delayed because the unions have been unable to agree on how their five members of the supervisory Board should be elected.

The problems of electing this top Board, even though it appears they may be about to be resolved, are of considerable interest as they do highlight the difficulties which are likely to emerge elsewhere, especially if the Bullock recommendations are implemented.

The delay, which comes some 20 months after the participation project was approved by the Government and a year after the four-tier approach was agreed, centres on an inability to devise a system which satisfies each of the 13 unions and seven negotiating groups concerned.

Even though they enlisted the assistance of a Belfast firm of management consultants, COMPEN, they were still not able to resolve the matter.

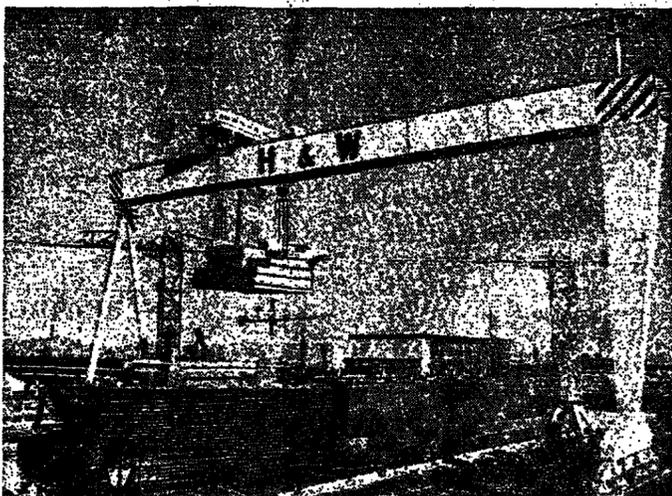
COMPEN put forward various alternative schemes. First, a single transferable vote system of proportional representation to elect the best people irrespective of their membership of a particular union or negotiating group; second, an alternate voting system based on existing negotiating groups; and third, election of members representing four interest groups which together with a "free for all" would be voted upon by all 9,500 workers.

It was the third scheme which was favoured by the shop stewards in February 1976, only to get bogged down because, understandably, they had difficulty in understanding the extremely complicated selective alternate voting system which went with it.

Further complications arose when some major unions felt they should have one of their members on the Board but neglected to ensure that they had a suitable nominee. Several went on to complain that the Boilermakers' Amalgamation, which has most members at the yard, was attempting to dominate the Board.

The Electrical and Plumbing Trades Union, on the other hand, deliberately did not nominate anyone for the Board because the EPTU is one of several TUC unions opposed to the principal of worker directors.

Local full-time officials of the Confederation of Shipbuilding and Engineering Union who also figure prominently in the local Communist Party have been accused by some shop stewards of bringing politics into the argument — the Communist Party opposes participation preferring the "them and us" approach.



A bridge section is moved into place on the giant crane at Harland's Belfast yard.

## A centre for research

A RESOURCE centre where 9,500 employees require a direct from management. How unions can co-ordinate the centre comprising four offices, one conference room, one committee room and limited library out their own research is being set up at Harland and Wolf as part of the participation programme.

The full-time secretary would be assisted by a training coordinator and a typist/clerk — all of whom should have the status of bona fide employees of the company — and there would be provision for recruiting a research officer at a later stage.

The brainchild of COMPEN, a Belfast firm of management consultants engaged by the unions, the centre is expected to cost about £40,000 in the first year of operation which will be covered by the State-owned company.

Two leading shop stewards are being interviewed by a team of union branch chairmen and secretaries for the £4,000 a year full-time post of secretary to the centre which will then be provided with permanent premises within the yard.

COMPEN, which hopes that the Harland scheme will be adopted elsewhere as other companies either opt for industrial democracy or are pushed into it by Government legislation, estimates that Harland's of their initial information funds.

### Urgent need

The consultants see an urgent need for a crash training course for worker directors as soon as they are elected in order that they are able to participate effectively. But training for the lower levels of participation is to be assessed in the light of problems which emerge.

The unions are expected to set up a management committee which would submit an annual budget to the company in order to receive an allocation of their initial information funds.

### st moves

of Mr. Tinkler's first being appointed as director of the Belfast yard to assist in the formation of a committee for regular liaison between himself and union officials.

A considerable initial position it was agreed that chairman and secretary shop stewards represent the main occupational should meet Tinkler's next team on a monthly basis.

from this "chairman's committee" to the yard's new era of participation, and even waiting publication of management's ideas for major role in the higher union, at the yard, the efficiency which the company is

### Agreement

Despite all these complicating factors the unions, through their prolonged negotiations, now appear to be on the verge of agreeing an election system which could see union representatives joining the management and government appointees on the top Board within months.

They are now looking at a simplified version of COMPEN's third scheme. It involves all the yard's employees voting for one director for each of four interest groups — ancillary workers, staff, steelworkers and craft groups — other than steelworkers — and a fifth "free for all section". A balancing factor, details of which have still to be devised, will be used to offset the boiler-makers' numerical strength in the "free" section.

From the time that the participation plan was first mooted, it was agreed that the existing union membership would be the vehicle for the worker directors and that the traditional collective bargaining machinery

## Varied demand for executives

INCREASING DEMAND for general management throughout five major European countries, but with strikingly different trends in specialised areas of management, are highlighted in a survey just published on the European executive recruitment scene.

Produced by the Eurosurvey Group, an executive search company, the survey shows, for example, that while demand for production and industrial engineering management has been increasing in France, West Germany, Belgium and the Netherlands, it has been decreasing in the U.K.

It is felt that uncertainty will persist in France this year as it did in 1976, while in Germany a substantial increase in demand for research and development directors is predicted, but with all in top management having to show such a wide range of abilities that traditional divisions between jobs brought into question.

An unchanged market for top managers is predicted in Belgium if inflationary pressures persist to hold back investment in new ventures. In the Netherlands — on the assumption that business policy will tend to be cautious — it is felt unlikely that demand for top managers will change from the replacement basis that featured last year to one based on creation of new posts.

Eurosurvey, 140, Piccadilly, London W1V 9PE.

## Caterers need more relevant training

A STUDY of managers in the hotel and catering industry suggests that some of the training courses provided for them are irrelevant to their real needs.

The study has been sponsored by the Hotel Catering and Institutional Management Association and by the Luncheon Voucher Catering Education Trust. The aim of the research was to build up an exact picture of the skills and knowledge needed by hotel and catering managers if they are to do their jobs effectively. It is hoped that the findings will now be used as a base for developing appropriate college courses and industrial training for younger managers coming into the industry.

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rdinary general meeting of note holders 10% 1975-80  
F 5.000 COMPAGNIE DE SAINT-GOBAIN PONT-A-MOUSSON, held on March 11, 1977 has appointed as note  
representatives according to clauses of the July 24,  
1974 n° 66.537:

- seigneur Gérard GARAUDE, residing in BOULOGNE-LANCOURT (Hauts-de-Seine) 20, rue Moreau Vanthier
- seigneur Michel LACOMBE, residing in BOULOGNE-LANCOURT (Hauts-de-Seine) 14, Quai de Stalingrad
- deputy representatives:
- seigneur Jacques DORE, residing in PARIS (8ème) 127, de Sévres
- seigneur Nelly HOPPER, residing in PARIS (7ème) 131, Saint Dominique.

notice is published according to section 216 of the March 17 1967 decree n° 87.286. The Board of Directors

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## BankAmerica Corporation Financial Highlights Consolidated Balances

For the Year (thousands)	1975	1976	Change
Operating Revenue	\$ 4,742,734	\$ 4,844,751	+ 2.2%
Operating Expenses	\$ 4,441,078	\$ 4,508,821	+ 1.5%
Income before Securities Transactions	\$ 301,656	\$ 335,930	+11.4%
Net Income	\$ 302,800	\$ 336,771	+11.2%

At Year's End (thousands)	December 31, 1975	1976	Change
Assets	\$68,763,054	\$73,912,940	+10.7%
Deposits	\$56,544,789	\$60,749,814	+ 7.4%
Loans	\$32,826,894	\$35,748,642	+ 8.9%
Securities	\$10,202,358	\$10,596,397	+ 3.9%
Equity Capital	\$ 2,020,149	\$ 2,421,593	+19.9%
Reserve for Possible Loan Losses	\$ 271,742	\$ 300,851	+10.7%

For the Year (Per Share)	1975	1976	Change
Income before Securities Transactions	\$ 2.18	\$ 2.40	+10.1%
Net Income	\$ 2.19	\$ 2.41	+10.0%
Dividends Paid	\$ .74	\$ .79	+ 6.8%
Book Value (at year's end)	\$14.61	\$16.63	+13.8%

(Extracts from Annual Report)

Certain information required by the Stock Exchange in London to be available may be inspected during usual business hours (Saturdays and public holidays excepted) at the office of Bank of America NT&SA, 25 Cannon St., LONDON, EC4A 4HN, from whom copies of the Annual Report may also be obtained.



THE FINANCIAL TIMES

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TUESDAY, MARCH 29, 1977

Limited scope for action

TO-DAY'S BUDGET is unlikely to be dramatic. Major changes in the structure of taxation, even if the Government had the stomach for them, are ruled out by the political situation.

Some cuts in direct taxation have been promised, and the Chancellor has made it clear that he intends to link these once again with his negotiations with the TUC about continuing wage restraint.

Phase Three Even under the cut-and-dried formula of Phase Two, earnings have risen much faster than the Government hoped, and a flexible formula of the sort that will be needed for Phase Three is inherently difficult to enforce.

Permanence Mr. Roy Hattersley, Secretary for Prices, made it clear in a speech yesterday that the Government had moved only a little way to meet its critics.

Few concessions on price controls

THERE IS nothing much for industry to cheer about in the changes which the Government has made from the consultative document on price controls, published a month ago.

Mr. Roy Hattersley, Secretary for Prices, made it clear in a speech yesterday that the Government had moved only a little way to meet its critics.

COLLISION

It seems impossible. Two jets, each the length of Nelson's column, each aglow with navigation and interior lights, each with the most sophisticated equipment and experienced crews—these two aircraft collided on the ground.

THE AIR disaster at Tenerife Airport on Sunday afternoon, which killed over 560 people when two Boeing 747 Jumbos from KLM and Pan American collided on the ground, is not only the worst in aviation history, but is also likely to be the most expensive in terms of hull insurance and passenger liability.

Critical moments

It is probable that the answers to these questions will only emerge when the investigators discover and evaluate the flight-data and cockpit voice recorders which both aircraft were believed to be carrying.

The Tenerife accident mars what has been a steadily improving world airline safety record. The latest figures from the International Civil Aviation Organisation, for 1975, show that 436m. people flew on scheduled passenger services world-wide outside the Soviet Union and China, and that only 441 individuals were killed in 19 separate accidents—the lowest figure for more than 20 years.

Money supply The future behaviour of the public sector borrowing requirement—which should be adjusted to a full employment basis as soon as the undertaking to the IMF makes this possible—is closely bound up with monetary policy.

Investigating teams

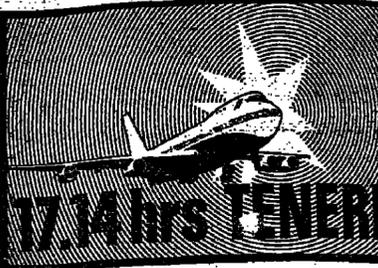
The first task for the various investigating teams—from the U.S. National Transportation Safety Board, the Federal Aviation Administration, Pan American, KLM, and the Dutch and Spanish Governments—must be to find the precise causes of the accident, for upon this are likely to hang momentous legal and financial consequences.

investigators. It is upon the results of their researches that the blame for the accident is likely to be apportioned between the two captains and the ground controllers at Tenerife airport.

At the moment passenger tickets normally contain liability information which is not in its content. The reason for this is that although you may buy a ticket at British Airways, some part of your journey may be on an airline which is not party to the special contracts which apply to most of the major airlines.

Financial damage Meanwhile, however, another protocol (the Montreal) has been agreed in principle. This would, if ratified by the many countries concerned, further increase the liability to \$100,000 and provide for no-fault cover.

Editor makes good One of Kevin Pakenham's tasks as chief economist of the Amex bank, the London based merchant banking subsidiary of American Express International Banking Corporation (AIEBC) has been to edit the Amex Bank Review, which indeed he started up.



Some airlines feel that bigger jets are economically desirable, especially where traffic densities are very heavy and use of bigger aircraft can reduce the number of aircraft movements, thereby saving fuel, easing strains on available runway capacity and also perhaps easing local environmental problems from noise and pollution.

Allotting the liability

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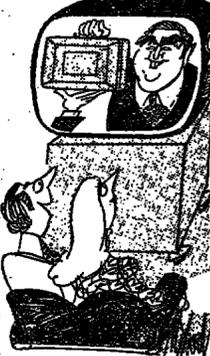
MEN AND MATTERS

Falkland's strange suitors

The Falkland Islands Company, which owns 46 per cent. of the land on the Islands, as well as the islands' docking facilities, is not up for sale according to the London-based Charrington's Industrial Holdings which owns it.

Mind your feet

How do you get travellers used to the idea of moving along the ground at several times the speed of normal walking without causing your less experienced passengers to fall flat on their backs?



"I presume the other hand belongs to John Pardee!"

Editor makes good

One of Kevin Pakenham's tasks as chief economist of the Amex bank, the London based merchant banking subsidiary of American Express International Banking Corporation (AIEBC) has been to edit the Amex Bank Review, which indeed he started up.

Wince

Nimble wit reported from the visitors' gallery of the Stock Exchange. The ins and outs of how jobbers deal with brokers but not the public were being explained to a visitor, who observed brightly: "Ah, yes, robbers deal with jobbers."

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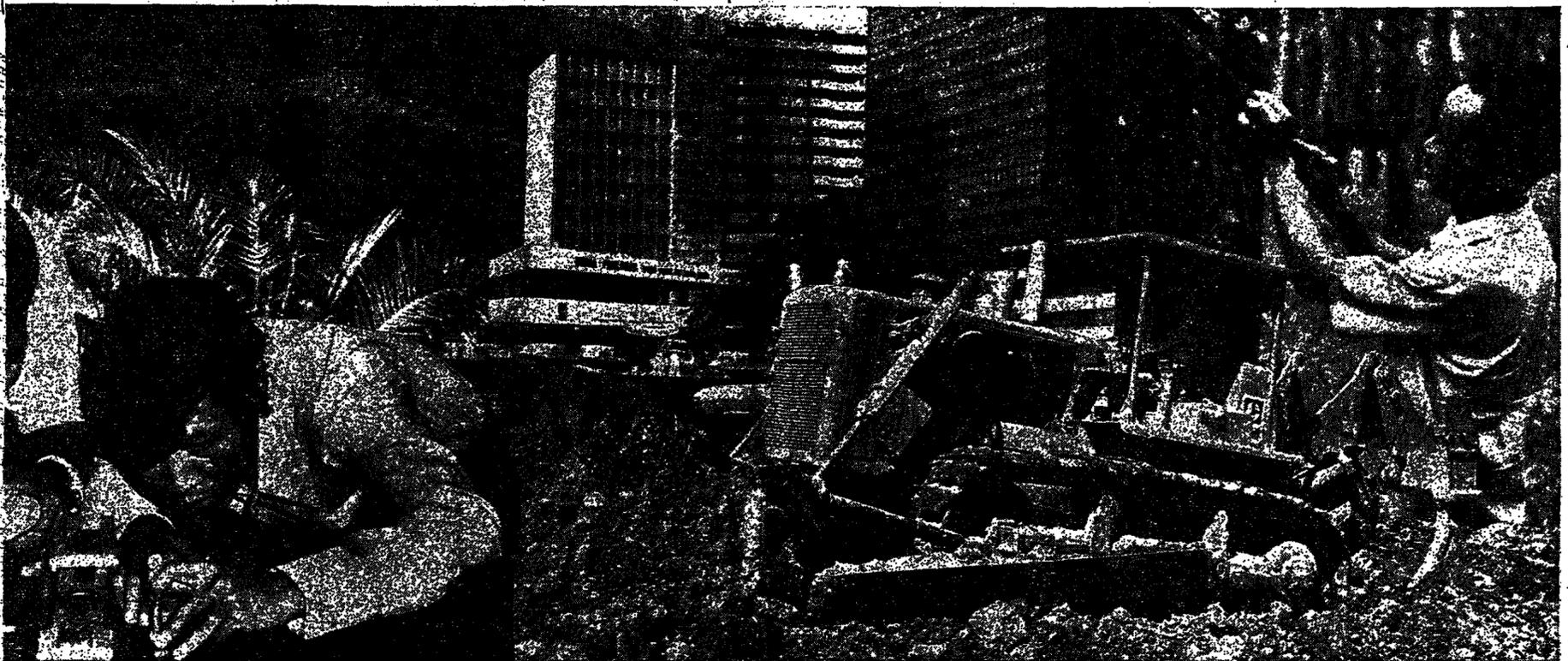
# FINANCIAL TIMES SURVEY

Tuesday March 29 1977

# Malaysia

One of the oldest of the post-war Commonwealth States, Malaysia has made steady progress since independence. Last year the economy managed an export-led recovery which many developing countries could envy. But this multi-racial nation still faces political and social problems.

he liability



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MALAYSIA II

# The strengths and weaknesses

MALAYSIA is beginning to show some of the blemishes of an adolescent industrialised country. After 20 years of independence there are signs of an acute housing shortage in the towns as the population emerges from the rural areas; of growing public frustration as an inadequate bureaucracy struggles to cope with the increasing demands of expanding industries and services; of bitter wrangles as a rising trade union movement tests its muscles; and of a feeling of cultural inferiority which those assured of three meals a day can afford to agonise over. The more deep-rooted problems—the country's racial divisions, the Communist resistance, the slow growth of investment—continue to preoccupy its leaders.

Nevertheless, Malaysia to-day is humming with pride and excitement in national achievements, a confidence that permits a freer Press and a more candid public assessment of national ailments than is found anywhere else in South-East Asia. The racial tensions are not sufficiently high to persuade the much-divided Chinese to forget their differences and form a political union on the basis of which they could demand more than they are currently getting. The need for foreign investment is not so pressing as to force the Government to drop its plans for phasing out foreign economic control.

Malaysia knows it can afford to take a few risks and that the underlying strength of its economy will permit a few miscalculations. Last year, aided by the stirrings of world economic recovery, demand for its exports rose sharply, pushing real growth of GNP to 12 per cent. from the projected 6 per cent. The resulting stimulus to production reversed a decline in rubber and timber output; crude oil output is provisionally estimated to have increased by 65 per cent. The rate of inflation fell from 4.5 per cent. in 1975 to 2.6 per cent. Employment rose by an estimated 3.5 per cent.; unemployment fell to an estimated 6.8 per cent.

The strong growth of exports led to a \$U.S.1.35bn. trade surplus in 1976 against \$U.S.343m. in 1975, boosting net international reserves to \$U.S.2.5bn. by the end of the year against \$U.S.1.57bn. at end-1975. Bank Negara projections for this year foresee a more moderate growth of 8 to 10 per cent., led by domestic spending rather than exports, but the bank suggests this growth will be more broadly based, with a recovery in private investment. By 1978 the Malaysian economy should have passed the recovery stage and settled down to normal growth of around 8 per cent., it adds.

The main blot on this rosy picture is the failure so far of private sector investment—domestic and foreign—to revive with the rest of the economy, a situation for which Kuala Lumpur businessmen blame the Government's slowness in finalising the details of the controversial Industrial Co-ordination Act (ICA), which regulates the restructuring of corporate ownership to increase Malay participation, as much as the Act itself.

**Rules**

"Once the corporate sector knows the ground rules it can learn to live with them," comments one banker, "but until the worst is known, many prefer to keep funds in bank deposits rather than reinvest." This slide in business morale is reflected in the high liquidity of domestic money markets—overnight money rates, for example, are stable at around 2 per cent.—and in the low level of applications for industrial project approvals, despite an increase in the number of inquiries. Manufacturing investment is running 40 per cent. below the targets of the Third Malaysia Plan (TMP), while new project approvals have dropped to 425 worth Ringgit 1.02bn. in 1976 from 525 worth Ringgit 1.8bn. in 1974. The TMP target is Ringgit 3bn. a year.

The earlier revision of the Petroleum Development Act (PDA)—introduced by the Razak Government and substantially modified under the present Prime Minister, Datuk Hussein Onn, to appease the oil companies—is interpreted as tacit admission by the Government that its new economic policy as originally envisaged went too far. Amendments to the ICA, prepared in consultation with the private sector, are far less drastic. They are dismissed in many quarters as insignificant. But the Government maintains that further concessions would destroy the Act and is outwardly confident that its readiness to back down over the PDA will be taken as a demonstration of its flexibility in implementing subsequent legislation even though firm assurances will not be written into the statutes.

Early indications are that the private sector is prepared to go along with this, despite its grumblings over "bureaucratic nonsense" and "stifling over-control." The Malaysian International Chamber of Commerce and Industry, which represents 280 foreign companies and their subsidiaries in fields such as banking, manufacturing, insurance and shipping, has stated: "Should the initiatives at policy level be reflected in the implementation process, there is no reason why there should not be more investment leading to greater economic growth," but adds "The task of restructuring the ownership of corporate investment... are conflicting objectives only in situations of stagnation and slow economic growth... it is clear that the success of the plan and the fortunes of the foreign business community... depend on economic growth which in turn stems from an attractive business climate for investment."

Whether this reconciliation will work out in practice only time will tell, but it seems clear that the Government's dependence on the private sector in finance 60 per cent. of its Ringgit 144bn. Third Malaysia

Plan will strongly influence its performance. In the words of the Prime Minister when introducing the TMP last July: "The Government is fully appreciative of the need to maintain a sound and favourable investment climate as an essential prerequisite to the existence of dynamic entrepreneurship... [and] will ensure that the design and implementation of its policies and programmes conduce to the fuller utilisation of the great potential that exists in private initiative and enterprise for the socio-economic development of the country."

At that time the Prime Minister outlined the three main pillars of the TMP as "a major assault on poverty, a vigorous and continuous effort in the task of restructuring society and the strengthening of national security." The security issue is something of a hot potato, reviving the fears of the 1948-60 emergency and carrying distinctly racial overtones.

Despite the outrages of 1974, when communist terrorists blew up the national monument and assassinated the nation's most senior policeman in broad daylight, security was something the previous Prime Minister Tun Razak preferred to play down. But Datuk Hussein early identified the issue as "a major challenge to our democratic way of life" and has supported a vigorous anti-communist drive against both the armed communist guerrillas in the north and the subversive elements believed to be operating in the cities.

Though official figures are slightly lower, Western observers estimate there are around 600 armed and uniformed guerrillas south of the Thai border and perhaps 2,000 to 3,000 north of it with a further 200 in Sarawak, supported by a community of about ten to each armed activist, whose readiness to co-operate tends to ebb and flow with the fortunes of the insurgents.

Intensive Government effort over the past two years have reduced insurgency to a chronic irritant rather than a severe threat but total eradication seems impossible, given the difficulties of policing the border jungles, and there are signs that the guerrillas are becoming better armed and are attracting a small but steady stream of new recruits. Most of these are young less well-off Chinese from the new villages, frustrated to see the best job opportunities going to Malays and alienated from the mainstream of Malaysian life by their Chinese education.

**Raids**

Following the signing of the new border pact with Thailand, the army has made several raids in communist areas over the past few weeks in a campaign the early results of which may not merit the wide publicity they attracted, but which seem to be winning popular support.

The activities of subversive elements in the cities is less clear cut and the Government's counter-tactics on this front appear rather more dubious. The popular image of a communist in Malaysia is coloured by the northern terrorist with his bombs and booby traps; the distinction between this and the intellectual socialist sometimes gets very blurred indeed—it may be significant that Russia and Eastern European countries are generally referred to as socialist rather than communist.

The arrest last year of the Straits Times managing editor Enck Samad Ismail on communist charges, subsequent claims that communists had infiltrated the United Malay National Organisation (UMNO) and the higher echelons of gov-



ernment, and the arrest of two of the two Deputy Ministers, came reflected badly on those senior UMNO Deputy Ministers, as a profound shock. Communist members of UMNO with whom communism was hitherto considered they were closely associated. This has raised questions as to the Government's willingness to control the scope of what he Enck Samad, a prominent Malay thinker, had been under drive. Conversely, the strong attack for some time, so his hints at collusion with Singapore subsequent confession, while emanating from some Government quarters are seen elsewhere as a deliberate attempt to discredit other Government members responsible for implementing the policy.

It now appears clear that the anti-communist drive may have been exploited for intra-party political purposes. On the available evidence, including public confessions by the three men, there is nothing to prove conclusively that any of them was formally related to communist organisations or actively engaged in communist operations. However, there are strong indications that the arrest of Enck Samad, long an opponent of the Singapore Prime Minister, Mr. Lee Kuan Yew, was carried out partly as an act of co-operation with the Singapore Government, while the arrest of Ministers are engaged in an active pursuit of Given the impoter other parties both outside the ruling Front coalition, the threat at this stage to stability in ad ment unity in ad ment. But the bi be expected to lace run up to the UMN Council elections in when the election President will deci sion.

Provided the ing to set out a he good chance of spe stability needed to the foreign subject task will be a delicate balance— between Malay Indians and Indians between the public sectors. Between sources of economy tion, between scrambling for a South-East Asian which the federation achieve its declared Margaret van

## A changing style of government

IN HIS FIRST year as Malaysia's Prime Minister, Datuk Hussein Onn has asserted his authority in the United Malay National Organisation (UMNO) the party which dominates Malaysian politics, to a degree that few expected when the sudden death of Tun Razak in January 1976 elevated him to power. Though he has not gained control of the party machine and has allowed factional squabbling to rise unchecked, he has taken firm command in matters of Government policy, adopting an uncompromising stance on corruption in the administration and tempering economic policy to reassure the non-Malay private sector.

Though this has brought him into direct confrontation with large sectors of the party, his own position appears unassailable and he has not allowed subsequent setbacks in party politics—such as the readmission to the party of the former Selangor Chief Minister and UMNO youth leader, Datuk Harun Idris, and the outright rejection of his candidates for the UMNO youth leadership—to disturb his composure, strolling away from these defeats with the air of a man more interested in government than in politics.

Datuk Hussein is universally respected as a sound administrator and a man of principle, though he is not without critics both outside and within UMNO. His inaccessibility is a source of grumbling among some of his Ministers, who complain that the process of government grinds to a halt periodically because the Prime Minister is pondering a decision and will not see anyone. His meticulousness is also a source of irritation. A former lawyer, he insists on examining all the available evidence before producing a decision, imperturbable as the unopened despatch boxes multiply.

**Infighting**

Thirdly, there are those who say that his relaxed attitude towards party politicking has allowed the factional infighting to mount to an extent where it is beginning to interfere with government—that the civil service is growing lax while the politicians jockey for position—and that the projects of the Third Plan are falling behind target.

During the past year he has had to grasp nettles and has done so unhesitatingly. His efforts to protect private sector

confidence, softening the impact of the pro-Malay new economic policy (NEP) on the predominantly Chinese and expatriate business community, has not pleased a considerable sector in the party seeking a more aggressive Government intervention and transfer of assets to Malay ownership and control.

Under his guidance, the Third Plan was held back for three months and revised by a specially created Cabinet committee to shift the emphasis of economic restructuring from a racial to a regional basis. Similarly, the first major instrument of the NEP—the Petroleum Development Act—has been substantially watered down while the second, the industrial co-ordination act, has been amended to a lesser degree but has had a committee set up under the deputy prime minister Dr. Mahathir Mohammed to smooth its implementation.

Secondly, the Prime Minister has risked criticism over his marked departure from the policy of his predecessor, Tun Razak in calling attention to the communist threat to security. He has admitted frankly that the level of communist activity in the north is of major concern to the Government and has supported intensive efforts to counter it.

Thirdly, he has taken a very hard line on corruption in the party and the administration. Perhaps the most dramatic of all his actions so far has been his handling of the bringing to trial of Datuk Harun Idris, the former Chief Minister of Selangor and president of UMNO Youth. Datuk Harun, one of the strongest men in the party, was convicted last May on three corruption charges and sentenced to two years' gaol after a trial that aroused bitter feeling within the party, alienating UMNO Youth from the leadership. Datuk Harun has fought all the way, launching an appeal which could take at least a year to reach an ultimate ruling in the Privy Council and rallying support in UMNO Youth, his personal power base, which has led to a vigorous "save Harun" campaign complete with communist conspiracy allegations.

In the murky twilight of UMNO politics this has bred a mass of allegations in which even the Prime Minister has been privately accused of at least allowing himself to be manipulated by political intriguers. Though the investigation into Datuk Harun's affairs was launched under Tun Razak,



Prime Minister Datuk Hussein Onn

ship is unquestioned have a profound in the succession, areas dominating Malaysia and indirectly aff economy. Though Datuk Hussein is r some as a shorte bent, he has suffer attack and was kno been preparing for when unexpectedly Prime Ministership accession he has more of retirement question is there an ing of a successor is intense speculation, the party but also vate sector which, in the Industrial Co-ord as first put forward, to see the leadersh out of reach of the Malay nationalists.

Speculation is co on the UMNO Supre elections, next year selection of the Pa President will virtu the succession. The been empty since v Datuk Hussein on his at which time, possi of lack of confide not seek confirmation President—he is at the acting President— put forward his ap Deputy Prime Min Mahathir, for the F dorment.

The style of p Malaysia and the nat UMNO Party sugges stage that the co Deputy President w like a long drawn ou comes, with unsp moves, shifting and infanle optio right up to the e of the political bars Malaysia is done bac 10-man opposition in seat. Parliament is little more, while minority parties in National Front—the Datuk Harun seems unlikely to be able to escape his sentence, which would disqualify him from office for five years, possibly an insurmountable setback since he is already 52 years old. But there are those who believe he may still return to contest the senior party positions and even if this fails, given his strong support at very high is expressed at general levels, he could well provide an unofficial rallying point for a large sector of the party for years to come.

This would hardly affect unity should it ev Datuk Hussein, whose leader- politically, stops most

### Corruption

Presented with the inquiry findings and having taken a strong line against corruption, Malaysia and the nat UMNO Party sugges stage that the co Deputy President w like a long drawn ou comes, with unsp moves, shifting and infanle optio right up to the e of the political bars Malaysia is done bac 10-man opposition in seat. Parliament is little more, while minority parties in National Front—the Datuk Harun seems unlikely to be able to escape his sentence, which would disqualify him from office for five years, possibly an insurmountable setback since he is already 52 years old. But there are those who believe he may still return to contest the senior party positions and even if this fails, given his strong support at very high is expressed at general levels, he could well provide an unofficial rallying point for a large sector of the party for years to come.

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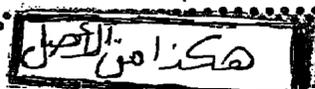
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The Bank that covers the World



CONTINUED ON NEXT PAGE

J.P. K... 1977

# Uneven path to economic recovery

**Malaysian economy is capable of sustaining seven months of recovery** is the road to recovery... international recession... 75, although some of the... performed well last... and looks equally good... so much so that Bank... the central bank, is pre... that the economy should... fully by the end of the... 1978, the Bank says... my should settle down... normal growth trend... at about 8 per cent... out the late 1970s.

75, Malaysia felt the full... of the world recession... aged to get by with 3.5... in real growth. The... began to pick up at... of 1978, and by... when the budget was... ed, officials at the... y were predicting gross... product to grow by 8... in real terms.

the economy performed... out. Thanks to the... usurpance in com... sports and prices dur... last quarter of the year... lesser extent, to manu... and mining, real GNP... was nearer to 10 or 11...

These impressive trade sur... plus and external reserves... figures are reflected on the... Malaysian Ringgit, which began... appreciating as the economy... gained momentum. Since the... Smithsonian realignment, the... Malaysian currency had been... appreciating against the... currencies of Malaysia's ten... major trading partners, on a... trade weighted basis.

The Ringgit rose nearly 12... per cent by December, 1974... but began to slide rapidly by... the end of 1975. It began its... upwards climb again in 1976... reaching the 12 per cent mark... again in the first quarter of this... year.

The most disappointing... feature in the economy was the... failure of private investment to... respond to the upswing. Private... investment, which fell by... 4 per cent in 1975 because of... the international recession, only... managed to grow by a miserable... 3 per cent last year.

The price of tin began moving... upwards in February last year... and averaged Ringgit 17,400 per... tonne for the year, representing... a 12.5 per cent improvement... over the previous year. How... ever, production fell to 62,000... tons owing to depleting mines... and the difficulty of getting the... authorities to open new areas... for mining.

Export of petroleum jumped... by 77 per cent to 6.72m... tons, while receipts totalled... Ringgit 1,580m—a 95 per cent... improvement. The higher level... of exports came almost exclu... sively from Shell, especially... from its Samarang field in... Sabah.

After undergoing two diffi... cult years, Malaysia's timber... industry began to pick up in... response to stronger overseas... demand. The export volume of... logs and sawn timber were 9m... and 2.1m tons respectively... Prices showed a 6.3 per cent... and 22.3 per cent improvement... and revenue totalled... Ringgit 890m and Ringgit 590m... respectively.

The prospects for the Malay... sian economy for this year... appear to be bright. A 9 per... cent growth in GNP can be ex... pected. Short of a domestic... political upheaval, or an ex... ternal economic recession... Malaysia should be able to... shake off the effects of the 1974... recession.

Exports are expected to re... main high, both in volume and... prices. Prices of rubber and... timber are expected to stabilise... at their current high levels... The price of tin, and palm oil... are anticipated to be much... higher than last year, while ou... tput of petroleum is expected to... go up from 180,000 barrels daily... to 200,000 barrels by the end... of the year.

The huge volume of dispos... able income derived from... exports, the Ringgit 600m... that would be paid out to the coun... try's civil servants to settle their... pay claims, and the recent rise... Malaysia's imports, inflation... should be within manageable... limits of 4 to 5 per cent.

There are others, however... who do not concur with this... view, including the Treasury... which feels that inflation may... be around 7 per cent.

All factors considered, few... would dispute the strength and... resilience of the Malaysian... economy.

Wong Sulong

criticism from being heard... outside.

The late Tun Razak was... especially in the years before... he became Prime Minister, a... first choice as deputy but lack... ing the necessary support in the... party. This lack has always... been an obstacle—his flamboy... ant and awareness of his un... trolled machine and in the... past year or two factional... struggles based on personality... rather than ideology have... grown unchecked. The leading... contender for Deputy President... is Dr. Mahathir, one of the three... Vice-Presidents who polled second... in the last party elections in... 1975, and who is associated with... a more aggressively pro-Malay... line. A former chairman of... Petronas, Pemas and Bank... Bumiputra, he advanced rapidly... under Tun Razak who was... grooming him as a possible... successor, but he blotted... his copybook in such... actions as the disastrous attempt... to link Pemas with Haw Par... and his introduction of the... Petroleum Development Act... which sent the private sector... into near panic and has since... had several of its teeth re... moved.

The latest setback was the... arrest last year of two UMNO... Deputy Ministers closely asso... ciated with Tengku Razaleigh... The two men later confessed on... television to communist sym... pathies and communist front... activities. The Ministers—... Abdullah Ahmad and Abdullah... Majid—popularly known as... "the two Dollahs," played a

was also a marked im... nt in domestic prices... lation down to 2.6 per... cent compared to 4.5 per... cent and a hefty 17.4 per... cent in 1974. With the economy... up, the unemployment... rate fell from 7 to 6.8 per cent.

Applications to start fa... ctories fell from 628 in 1974 to... 394 last year, while approvals... for factories fell from 525 to 425... during the same period.

Except for palm oil, Mal...aysia's major export com...modities made impressive gains... both in volume and prices... according to estimates in the... Treasury Report. Officials say... that the central bank annual... report, to be published on... April 1, contained even more... impressive figures: rubber ex...ports reached 1.6m tons—an... increase of 9.6 per cent over... 1975.

Rubber production rose by 7... per cent in response to higher... prices, and the lifting of the... crash programme restrictions... imposed in 1974. The estates... which had to comply with the... enforced production cutbacks... under the programme, increased

After undergoing two diffi... cult years, Malaysia's timber... industry began to pick up in... response to stronger overseas... demand. The export volume of... logs and sawn timber were 9m... and 2.1m tons respectively... Prices showed a 6.3 per cent... and 22.3 per cent improvement... and revenue totalled... Ringgit 890m and Ringgit 590m... respectively.

The marginal increase in the... export of logs was mainly due... to the imposition of the ban on... the export of 11 species of logs... from Peninsular Malaysia, and... the high local demand for logs.

On the other hand, the higher... volume of sawn timber exported... could be attributed to the... stepped-up activity of local saw... mills in meeting overseas de... mands.

Against such impressive ex... port records, the poor perform...ance of palm oil stood out in... sharp contrast. The price of... palm oil continued to slide for... the greater part of last year... owing to easier market condi... tions for edible oils.

The big increase in the world... supply of palm oil, and the... strong soyabean lobby in the... U.S. against palm oil imports... had the effect of dampening... prices. Prices fell by 25 per... cent to Ringgit 350 per tonne... Exports slowed down to 1.33m... tons, and export receipts at... Ringgit 1,130m, was 14 per cent... lower than in 1975.

The manufacturing sector... showed virtually no... growth at all in 1975, quickly

Response

In response to the exports... private sector—led economic... upswing, the Government... moderated its public spending... and consumption.

Total public spending rose by... 7.7 per cent in real terms... which is modest, compared to... the 12 per cent growth in... 1975, when the public sector... was called upon to play a more... active role in stimulating the... economy.

Public consumption showed... an equally modest growth of... 7.3 per cent, against 14 per... cent growth in 1975.

Public investment was mar...ginally higher than the rate... in 1975. This higher growth... rate (8.5 per cent) was mainly... due to the launching of the Third... Malaysia Plan, and being the... first year of the Plan, the... Government decided to allocate... more money for development so... that projects could get off the... ground as quickly as possible... However, despite the money... being made available, Govern... ment targets in the Plan are... running the risk of being... delayed due to a lack of man... power to implement projects... "We have no problem in rais... ing money for development pro... jects, either in the local market...

The manufacturing construc... tion, and to a lesser extent... the mining sectors should ex... pect buoyant conditions and... the output is expected to ex... pand by 15, 13 and 9 per cent... respectively.

According to a Bank Negara... survey conducted last Decem... ber, 85 per cent of the manu... facturing firms surveyed... were operating at 70 to 100 per... cent capacity by the end of 1977... This optimism contrasted... sharply with a similar survey... done around the same time in... 1975, when less than 40 per... cent of the firms were operat...

Another possible front run... ner is Tengku Razaleigh... Hamzah, Finance Minister and... one of the three UMNO Vice... Presidents, who polled second... in the last party elections in... 1975, and who is associated with... a more aggressively pro-Malay... line. A former chairman of... Petronas, Pemas and Bank... Bumiputra, he advanced rapidly... under Tun Razak who was... grooming him as a possible... successor, but he blotted... his copybook in such... actions as the disastrous attempt... to link Pemas with Haw Par... and his introduction of the... Petroleum Development Act... which sent the private sector... into near panic and has since... had several of its teeth re... moved.

The latest setback was the... arrest last year of two UMNO... Deputy Ministers closely asso... ciated with Tengku Razaleigh... The two men later confessed on... television to communist sym... pathies and communist front... activities. The Ministers—... Abdullah Ahmad and Abdullah... Majid—popularly known as... "the two Dollahs," played a

Since none of the published... evidence establishes that either... of the men was involved in com... munist activity to a significant... degree, the affair is being... interpreted as a vendetta and a... preliminary move in the run up... for the next party election.

Lastly, it is not yet possi... ble to ignore Datuk Harun who... though barred from office this... time around if his convictions... are upheld, is technically able to... contest the election while his... appeal is pending, which it may... well still be when the elections... fall due. He is, with the aid of... UMNO Youth, trying to engin... eer a Royal pardon which, while... permanently establishing his... guilt, would also put him in the... running. But UMNO leaders... are well aware how credible... their anti-corruption policy... would appear were he to suc... ceed. With so much against him... his chances appear slim, to say... the least, but in politics here as... elsewhere, very little is... impossible.

Margaret van Hattem

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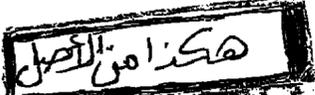
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## MALAYSIA IV



### Tan Sri Ghazali Shafie

**TAN SRI GHAZALI SHAFIE**, Malaysia's mercurial Minister of Home Affairs, provokes strong feelings even in those who have not met him. He is feared, admired, hated, laughed at, hailed as a saviour, denounced as an intriguer—but never ignored. Some say he is the most brilliant man in the present cabinet and an obvious choice to succeed the Prime Minister; others say his arrogance and tendency to fly off the handle will always keep him from the highest position. Tan Sri Ghazali himself hotly denies having any such ambitions: "Future leader? Who said that? I am already a leader of this country. Prime Minister? That sounds like a campaign. I am not interested in campaigns."

Nevertheless "King Ghaz" as he is known in Kuala Lumpur circles, was earlier tipped to succeed Tun Razak, is believed to have been favoured as Deputy Prime Minister by Datuk Hussein Onn though unacceptable at that time to the party, and is undoubtedly one of those favoured for deputy presidency at the UMNO elections next year. This position would virtually ensure him the succession.

Born in 1922 the son of a Malay civil servant, he was educated at Raffles College and later at the University of Wales where he studied ancient Welsh law "because I was intrigued by Welsh tribal law... It's of no use whatever to anyone." His later career included a spell fighting with the resistance against the Japanese and studies at the London School of Economics, Lincoln's Inn and the Institute of Commonwealth Studies, picking up an LLB Hons. and a post graduate certificate in International Studies. Back in Malaysia he rose in the civil service to head the Ministry of Foreign Affairs as Secretary General.

Despite an active career in student politics, he did not enter national politics until 1970 when Tun Razak co-opted him to a senate seat and to the cabinet as minister with rural functions. He resigned from the senate in 1972 to contest a parliamentary by-election in Kuala Lipis, Pahang, which he won with an overwhelming majority, and moved via the information portfolio to the powerful Home Affairs post. Over the past year he has used this position to conduct a vigorous and relentless anti-Communist drive which has won him support at home and abroad.

Whether this will be sufficient to overcome hostility within the party is not yet clear. Tan Sri Ghazali is a man who does not suffer fools gladly and does not bother to hide his awareness of his own abilities. His flamboyant lifestyle and penchant for dressing up—at the opening of Parliament last week he was conspicuous among the other uniformed ministers for his dazzling white gloves—irritates some of the more conservative UMNO rank and file who prefer their politicians sober, discreet and close to the grass roots.

But he has worked hard to improve his position, curbing a tendency to speak over the heads of his audiences, flying up to the Thai border to join troops in raids against the Communist insurgents. He has strong support in some sectors of the civil service, where his administrative abilities and capacity for quick decisions are appreciated, and is gaining support among the military and para-military through his aggressively anti-Communist stance. He loudly resents any suggestion that he is a powerful man, but he is clearly someone to be reckoned with.

### Datuk Musa Hitam

**TWO YEARS** in the political wilderness, after being sacked from a promising appointment as Deputy Minister in 1969, have taught Datuk Musa Hitam the virtue of patience. He was considered one of the young Turks seeking the resignation of former Prime Minister Tengku Abdul Rahman after the 1969 racial riots.

Now, at 42, he is Minister of Primary Industries, and as such, he is prepared to bide his time. Instead of embarking on risky political gambles, especially

now when the political scene abounds with intrigue and pitfalls. Because of this, he declined to contest the prestigious UMNO Youth presidency, left vacant by the controversial dismissal of Datuk Harun last June, although he was clearly the favourite.

His strategy is to prove himself an effective Minister, and then make a bid for one of the three UMNO vice-presidencies next year. A seat among the vice-presidents would place him within striking distance of the Deputy Prime Ministership should it fall vacant.

Datuk Musa's father was a Malay civil servant who married a Chinese. A formidable debater, and a student activist (he was associate secretary of the International Students Conference in Leiden from 1957-1959), Musa was all set to enter politics after graduating from the University of Malaya.

His introduction to politics in 1964 was unconventional. He was in Sabah, trying unsuccessfully to sell a plane to Tun Mustapha on behalf of a British company. But the former Chief Minister had not then begun to indulge his taste for luxury jets. As Musa was leaving Tun Mustapha's office, he met Tan Sri Sardon, the federal Transport Minister (now Governor of Penang).

Tun Mustapha introduced Musa to Tan Sri Sardon, who asked him to see him at his office in Kuala Lumpur, and when Musa called on him a few days later, he was pleasantly surprised to be introduced to newsmen as the Minister's political secretary.

Musa is considered by many to be of Prime Ministerial calibre, and has good credentials. Like the Prime Minister Datuk Hussein, he comes from Johore, a State that has provided Malaysia with some of



its best politicians, administrators and generals. Johore is a very important State in UMNO politics.

His present ministerial portfolio covers the rubber smallholders, oil palm growers, tobacco farmers, as well as the tin industry, and it provides him with an excellent base to galvanise the crucial Malay rural support. In the current leadership tussle in UMNO, Musa is aligned with the Deputy Prime Minister, Dr. Mahathir Mohamad, who was sacked from the UMNO party for demanding the Tengku's resignation in 1969.

### Junus Sudin

**AFTER FIVE** hectic years forming companies, acquiring them, merging them, and fighting to control them, Junus Sudin concedes to tell. He is still planning a few foreign takeovers, but he wants to settle down to consolidate the numerous companies under his control and "think of growth to keep my boys happy."

Junus' rise in the business world has been impressive, and closely parallels the political ascendancy of Finance Minister, Tengku Razaleigh. The two men are 40, came from vastly different social backgrounds, but their partnership got off to a flying start.

Son of a junior civil servant, Junus wanted to be a doctor, but a Colombo Plan scholarship to do accountancy in Perth, Australia, changed his life. His years in Australia did a great deal to prepare him for the rough and tough of business.

"We Malays are very sensitive people. We don't want to hurt others. In the hope that others would not hurt us. In Australia, they call a spade a spade. If you are no good, they'll tell you to your face."

After graduating, Junus worked with the Malaysian Railways, Port Klang Authority, Tariff Advisory Board, became group secretary of ICI Malaysia, and left in 1972 to set up a flourishing accounting partnership with a Chinese friend.

It was around this time that he came to know Tengku Razaleigh. He was president of the Malays Chamber of Commerce, and Junus its secretary. The two immediately clicked. With an eye on the political leadership, Razaleigh evolved the strategy of applying the new economic policy to the corporate sector, and cultivated the press. Junus stayed in the background executing the strategy. He negotiated the takeover of the New Straits Times, the biggest

These profiles were written by Wong Sulong and Margaret van Hattem



Malaysian newspaper chain, and he got it on the cheap. Together, they went on to form Petronas, the National Oil Company, set up by the Malaysia National Chambers of Commerce, as the umbrella for the four chambers of commerce, and helped form the Asian Chambers of Commerce and Industry.

In London, Junus is better known as the chairman of a Feras Securities, in which capacity, he negotiated for the takeover and transfer of London Tin, the world's biggest tin conglomerate. He was behind the Sime Darby coup. Feras Securities held only 8.5 per cent of Sime Darby, but it wrested control of the multinational from its British directors in a well-publicised boardroom battle.

"We operate on commercial principles," he says in answer to charges of "backdoor nationalisation." "Profitability draws many of its younger executives. We need to develop a new breed of bankers who are not merely money lenders but that takes time," he adds ruefully. "A whole generation, wouldn't you say?"

Anwar Ibrahim, leader of the 20,000 strong Muslim Youth Movement of Malaysia (ABIM), is something of an enforcer in Malaysia politics. His considerable following among students and budding civil servants could provide a substantial power base should he care to use it—a fact of which UMNO politicians are well aware. But so far he has resisted their overtures and "attracted offers," refusing to align himself with any political party. He has not convinced that the eradication of social injustice can be achieved through political institutions, he says with a twinkle and for the first time, that is what Anwar is keeping a low profile at the moment—he has just emerged from two years' detention without trial on charges dating from 1969 relating to student demonstrations, social criticism of the Government on racial grounds, and alleged militant efforts to instil hatred and despondency towards the government and non-Malays.

He is not anxious to repeat the experience just yet. So he is keeping himself busy consolidating the youth movement, organising meetings and re-establishing contacts within and outside the movement, restraining his public utterances.



### Tan Sri Ismail Ali

**TAN SRI ISMAIL ALI**, 58-year-old governor of Bank Negara, is a diminutive man who works in a huge office overlooking Kuala Lumpur. He has been with the Malaysian Central Bank since its inception in 1960. He joined the bank as deputy governor but has been governor since 1982 and is proud of the traditions of hard work, efficiency and integrity he has fostered there. He delights in the fact that though his staff may be kept working till 5 a.m. night after night, and though he personally insists on reading every line, the bank has never missed a deadline in producing its annual reports.

"We are one of the most efficient banks in the world," he says, staunchly defending the policies that have helped give Malaysia one of the lowest debt service ratios and highest levels of external reserves in the developing world. He applies these policies equally to the Stock Exchange, which he virtually controls as chairman of the Capital Issues Committee, and when frustrated bankers, businessmen or even, as happened recently, the World Bank label him a conservative, he is ready for them. "If conservatism means hard work and integrity, then I am conservative. Bank Negara does not resist innovations, merely because they are new but it would not be proper

to introduce new monetary instruments merely for the sake of increasing vanity or because they were successful elsewhere."

Tan Sri Ismail read economics at Cambridge after which, unable to return to Malaysia because of the war, he spent nine years in London reading law, teaching Malay at the London School of African and Oriental Studies and giving news commentaries for the BBC. On his return to Malaysia he joined the civil service and his later period in the Treasury included two years in Washington as executive director of the World Bank.

Tan Sri Ismail explains the low level of Malaysian Euro-market ventures, despite the pressing need for foreign investment, thus: "We don't need to borrow money. The only reason we borrowed on the Euro-markets at all this year and last was because the rate was too good to miss—how many others borrow at 1 1/2 per cent over LIBOR (London Interbank offered rate). Skilled manpower is our problem, not money."

He has a vision of Kuala Lumpur as one of the major centres of world finance, one day outranking Hong Kong and Singapore because of its bigger primary base from which, in the meantime, it must be content to grow slowly. "Singapore and Hong Kong needed a rapid growth, we don't. Growth built on the needs of our commodity traders for long term funds will be more natural, more evolutionary, more stable," he says, savouring a strong regionalist, he would like to see much closer banking links between the ASEAN countries and is keen to see the completion of the swap arrangements now being drawn up.

His term expires in 1980 and though it is by no means certain he will resign then, he is beginning to talk of retiring to the private sector which, he suggests mischievously, is far more conservative than the Central Bank from which the movement of Abdul Rahman, Minister of Primary Industries, Datuk Musa Hitam cited.

Anwar has announced his resignation and his critics, including Colonel Khedari, man whose ouster Anwar's methods he deprecates good intentions in instilling fear is to achieve them.

"My views are and have always been," says Anwar, "We don't want the non-Malays. We are not racial—we are concerned with the Chinese squatter-plantation worker, a man who has no sense and though I am in to suggest alternately must say I have to reform through institutions. Co-opted easily be exploited in the name of reform. Anwar's hopes society are current the upsurge of rallyism among Malay youth. If they uphold the justice and clean they are morally bound them as they take the civil service."

Areas where choose to act could the nation of the which Anwar would much more strict. "It's wrong that making large profits allowed to pay its little as Ringgit," says "There's a private sector but effective checks and there's obviously some fundamentally wrong with

UMNO leaders who recognise his status as a potential ally. Hughes or a Rockefeller



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MALAYSIA V

# Federal ties improve

ATIONALLY Malaysia which was nurtured by Kuala Lumpur, in its own legislation, but in practice is a unitary State. Com the amount of power ed in the federal Kuala Lumpur, the States is minuscule, geography and the position work against a politics, the growth n Government and the have irresistibly the Federation to its orm.

past 20 years, Malaysia a fair share of stress very much the masters of their own house, as they retain the confidence of Kuala Lumpur. The powers granted under the federal constitution to the States are minimal compared to the long and impressive list of federal powers. The States control land, local government, licensing of theatres, cinemas and places of public amusement, minor public works, markets, "turtles and riverine fishing," and one important sphere of influence—land, including mining, agriculture, and forestry.

The States guard this power jealously, but their record in land administration is far from satisfactory. Many State Governments, in their haste to get more revenue, or to repay political debts, have allocated large tracts of State land to individuals and companies with little regard to prudent forestry conservation and real forestation. Tin miners on the other hand, constantly criticise the long delay in renewing mining leases, and State reluctance to open up new land for prospecting and mining. Industrial projects are held back sometimes for months by delays in land approval. The vast amount of red tape and the well-known efficacy of large under-the-counter sums in cutting through it, have led the federal Government to consider stepping in to introduce order and coordination.

## Revenue

The sources of revenue for the States are limited, and are derived mainly from their administration of the above areas. Except for Sabah and Sarawak, the States rely heavily on the federal Government for grants and loans, and this curbs any budding independence. Sabah and Sarawak, apart from oil revenues, negotiated a longer list of powers when they joined the federation in 1963 including, significantly, immigration. This concentration of power

in Malaysia over the years has encouraged two unhealthy trends. The checks and balances usually found between the centre and the States in a federation have all been removed. All the States are now under the National Front Government, and more important, the Federal Government has, but for a brief period after the 1969 elections, maintained the two-thirds majority in Parliament required to amend the constitution. Consequently the federal authorities have had no hesitation in changing the constitution whenever it suited them and, since independence in 1957, have pushed through more than 100 such amendments. The effect of these amendments, not surprisingly, is often to enhance the authority of the federal Government.

Secondly, Malaysian leaders, and Kuala Lumpurians, have come increasingly to identify their city with their nation, and the city's problems as national problems. When floods hit Kuala Lumpur in 1971, a national disaster was declared, everything was mobilised to tackle the situation. Far more extensive floods lash the east coast States every year, but these are regarded as perennial provincial irritations.

Under the Third Malaysia Plan, the authorities hope to correct this distortion by giving a better deal to the States. Kuala Lumpur and the surrounding Klang valley, have reached the stage where they can sustain their present momentum of growth with less federal funds. Poorer States like Kelantan, Trengganu, Pahang, Kedah and Malacca, are getting much bigger financial allocations than their previous share, and the Government is encouraging the dispersal of industries to these less developed areas. After nearly 20 years, the States in Peninsular Malaysia have adjusted well to the federal setup, and have come to accept their modest roles.

The future relationship between Kuala Lumpur and the two East Malaysian States are unpredictable, although after the removal of Tun Mustapha, Sabah and Sarawak are beginning to fall into line with the peninsular States in acknowledging the pre-eminence of the Federal capital.

Kuala Lumpur frowns on discussion of the prospects of Sabah and Sarawak getting out of the federation. After the creation of Bangladesh, the Malaysian authorities dropped the terms East and West Malaysia for Sabah and Sarawak,

and peninsular Malaysia. In Sabah and Sarawak, politicians have been known to encourage talk about secession, mainly to press Kuala Lumpur for more concessions. Sabah and Sarawak can be economically independent units, but politically their chances of survival as separate entities are slim.

The idea of Malaysian statehood, let alone Malaysian nationhood, is weak among ordinary Sabahans and Sarawakians. The South China Sea is a big physical barrier hindering greater social and economic integration between the two Malaysian wings. There are also political barriers. The Sarawak is distinct from that of peninsular Malaysia. West Malaysians still have to produce a passport to enter Kuching or Kota Kinabalu, and the two State Governments have no qualms about excluding West Malaysians considered undesirable, including opposition politicians, from their States.

## Labour

The plantations and nascent industries in East Malaysia could do with more workers but few West Malaysians are given work permits. The Malaysian Migration Board is languishing in obscurity. In the past five years, it has sent only 1,500 workers and their dependants to Sabah, and many of these have returned.

Dealing with the East Malaysian States requires tact. Sabah and Sarawakians are under-standably furious when West Malaysians call them "politically backwards."

The social and political problems in East Malaysia are very

different from those of West Malaysia, and applying West Malaysian solutions can lead to unfortunate, even disastrous results. In Sabah and Sarawak, the Malays are a minority. Until recently, it was the policy of the Malay leaders in peninsular Malaysia to extend their principle of Malay political supremacy to the two States and this has caused not inconsiderable resentment among the Kadazans and Ibanes, the two biggest racial groups in Sabah and Sarawak respectively, and also the Chinese over there. Malay leaders have realised that this policy is unworkable in the long run and are now stressing on bumiputra unity, which is broader in scope, covering all indigenous races.

The introduction of the Malay language as the medium of instruction in schools in Sabah and Sarawak is also meeting with resistance, but this problem is likely to dissipate over a period of time. Universities in peninsular Malaysia are switching to Malay as the medium of instruction, and Sabahans and Sarawakians (like the Chinese in peninsular Malaysia, who have come to accept, although grudgingly, the Malay language will have to learn Malay if they want to enter the universities.

At the moment, there do not appear to be any major problems on the horizon between Kuala Lumpur and East Malaysia. The communists do not pose a major threat to the two States, and with the revenues coming in from timber and oil, Sabah and Sarawak can become the two richest States in the Federation if there is the political will and dedication.

*J.P. K...*

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## Lee Loy

EE LOY SENG started life late, inferiority complex, as not prevented him the ladder of success stability in business. He is chairman of upur-Kepong, one of st plantation holding in Malaysia, con- 8 estates with over es of rubber and oil

many other Chinese who only take a rt in politics, he is an to the Malaysian association, and is well by the Chinese count the Malays. He is of the Senate, the use of Parliament. unassuming person, andly about his lack mal education. His rs were interrupted no-Japanese War, and r II. He was still in venties when he was O levels, and he State was defused. Thousands of landless Chinese were illegally occupying large tracts of State land, and the State Government had wanted to evict them.

Datuk Lee was able to persuade the authorities to take a more humane rather than legalistic approach to handling the on plantation many rich Malaysians are worried about their future, and fear a Communist takeover. He feels the Government is capable of tackling the Communists, but that the well-to-do must do their part in alleviating poverty (Datuk Lee himself is a noted philanthropist).

"Malaysia is a great country to live in," he says "especially of KLK is" currently the company had will be decided by the poor and heavily on developing not the rich. If the poor go cres. of oil palm in Communist, then the rich can The oil palm is now forget about their wealth. They to bear fruit, and its may not be able to save their ion to the company's lives."



## Malek Ali Merican

MALEK ALI MERICAN, 49-year-old managing director of the Asian and Euro-American merchant bankers BHD (Aseam-bank), Malaysia's largest merchant bank, is a shining example of the successful Malay transfer from government to private industry, which is becoming a major pattern in Malaysia.

He was appointed Deputy Secretary General of the Treasury but caught between the conflicting policies of the then Prime Minister Tun Razak and Finance Minister Tun Tan Siew Sin, he resigned in 1974 to join the newly-established bank as deputy managing director.

Encik Malek was closely involved during his final Treasury years in the drawing up of the Third Malaysia Plan and comes to the private sector with a close and sympathetic understanding of government thinking.

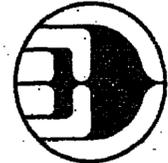
He presents the options thus: "In Malaysia we have two broad alternatives in developing our financial markets and institutions. Either we invite the world in, like Hong Kong or Singapore, and accept that the funds flowing uncontrollably may flow out equally uncontrollably; or we develop a limited market, sufficiently strong to reach out to the international markets and secure capital for Malaysia's development needs, with emphasis on joint ventures between Malaysian and international banks.



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## MALAYSIA VI

# Unions quarrel with Government

THE MALAYSIAN trade union movement is considering entry into active politics after its humiliation in Parliament two months ago. The quarrel with the Government arose from the now famous Ibrahim Ali report prepared by a Government-appointed Royal Commission. It recommended very generous salary increases to the country's half-a-million civil servants, but the Government rejected its recommendations. When the unions refused to budge, the Government took the unprecedented step of calling a special session of both Houses of Parliament to reject the report.

Faced with a fait accompli, the unions had little choice but to accept the Government's counter pay offer, but the whole episode has left much bitterness among the union leaders. Most of them consider the unions have little future unless they get involved in active politics. "After what they did to the Ibrahim Ali report, there is no guarantee Parliament will not interfere in future industrial disputes," says a moderate union leader. "When the chips are down, no one in Parliament will speak for the unions, because the unions have no representation."

The Malaysian Trades Union Congress is studying the feasibility of sponsoring a political party to contest the next general elections. It is left to be seen how the union leaders could control such a party, as under present labour laws union leaders are prohibited from holding any elected office in a political party. The MTUC hopes to attract ex-union leaders, and pro-labour leaders in the professions to run the party, but whether these people would remain subservient to the union movement remains to be tested.

### Reluctant

A trade union-sponsored party will bring the movement into direct political confrontation with the Government, a prospect which some moderate union leaders are reluctant to face. The MTUC soiled its prestige when it dabbled in the 1969 elections by supporting candidates from both the Government and opposition parties. Although the candidates it supported won their seats, no one was grateful to the MTUC for the amateurish way in which it tried to nurture a pro-labour lobby in Parliament.

Historically, for various reasons unique to the Malaysian environment, the Malaysian trade union movement has never had the cohesion, organisation and political clout in any way comparable to Britain's TUC or other unions in the West. From their earliest days Malaysian unions have often been the targets of communist infiltration, and periodic purges by the British and present administrations have left the unions occasionally leaderless and in disrepute.

The inability of union leaders to participate actively in politics is only one of their grievances. Unions regard the present labour laws as heavily weighted in favour of the employers. "The Government has always had this obsession of wooing foreign investment, and bends backwards to accommodate foreign investors to the extent of stifling the growth of the unions," says T. Narendran, the president of CUEPACS, the organisation most civil service unions are affiliated to. According to him, a great deal of the Government's attitude towards the unions stems from the fact that a great number of Government officers dealing with industrial relations have with industrial relations have an eye on the private sector for their future advancement—or retirement.

The great majority of Malaysian workers in pioneer industries are unorganised as present labour laws make it difficult for unions to operate. To hold office in a pioneer industry union, a man must have worked in that industry for three years, and this often gives employers the opportunity to get rid of those showing interest in organising their fellow workers. Again, under the law self-employed workers are not allowed to form a union, which means that the great bulk of the rural workers—rice planters, rubber smallholders and fishermen—cannot be organised. By and large Malaysian unions are small and splintered, and this is due to some extent to the narrow interpretation of the labour laws by the Government. There are some 350 unions in the country, with a membership of 450,000, out of a work-force of 4.3m. The biggest by far is the National Union of Plantation Workers, which according to figures from the Registrar of Trade Unions, has a membership of over 80,000. (The union itself claims a membership of over 150,000.)

The next biggest are the teachers, railwaymen, commercial workers, and bank employees, each with a membership of around 10,000. Most unions have less than 1,000 members. The MTUC has been fighting for years without much success to get some of the more restrictive laws removed. However, the present Government appears to be more sympathetic to the unions' grievances than were past administrations. The MTUC met the Prime Minister last October, and wanted more than a hundred amendments to the labour laws, particularly those restricting recognition of unions, collective bargaining, and the exercise of strike action. Some

backwards to accommodate foreign investors to the extent of stifling the growth of the unions," says T. Narendran, the president of CUEPACS, the organisation most civil service unions are affiliated to. According to him, a great deal of the Government's attitude towards the unions stems from the fact that a great number of Government officers dealing with industrial relations have with industrial relations have an eye on the private sector for their future advancement—or retirement.

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# Manufactured goods

THE MANUFACTURING sector had made rapid strides in the past 15 years, and now accounts for nearly 15 per cent of Gross National Product. More than 400,000 workers are involved in manufacturing, and if the Government does not run short of its targets (there are ominous indications that it may), Malaysia will be semi-industrialised in another 15 years, with manufacturing the most important part of the economy. Like most developing countries, with more recruits entering the labour market each year while job outlets in the agricultural sector diminish, Malaysia must look to industrialisation for its economic well-being. Under the Third Malaysia Plan, manufacturing is expected to provide 170,000 new jobs — or 23 per cent of the total under the Plan.

From independence to the late 1960s, Government policy was intent on encouraging import substitution. In the early 70s, greater emphasis was given to export-orientated manufactures. Malaysia's low labour costs attracted some very big Japanese, Hong Kong, and American investors, who were finding it expensive to set up their plants in Japan, Hong Kong or Taiwan. In the early 70s textile plants and electronics factories mushroomed on industrial estates, with free trade zones around the Klang valley and Penang, and owned by Alliance Textile of Hong Kong, Roray, Mosanto, Motorola, Texas Instruments, Matsushita, Siemens, General Electric and other big names.

Investments in approved manufacturing companies totalled nearly Ringgit 7bn. at the end of last year, compared to only Ringgit 936m. in 1971. By last year the manufacturing index had risen to 260 (base year 1968) and Government estimates put the index at 300 some time this year, with manufacturing going up by 15 per cent. However, growth targets in manufacturing will depend greatly on the response from private investors, particularly foreigners. The Government may demand stiffer terms and greater compliance to the New Economic Policy in the plantation and mining sectors, on the grounds that such industries extract Malaysia's non-renewable resources. But in manufacturing Malaysia is competing with other countries for foreign capital and technology, both of which are hard to come by. The foreign investor is also needed to find the export markets. After building up a sufficient range of import-substitution industries, the next logical step is to expand the export-orientated industries, and encourage the growth of high technology industries. Investment in manufacturing is running well below the Ringgit 2bn. target envisaged under the TMP. This is all too clear from the latest statistics put out by the Federal Industrial Development Authority. The number of applications to start manufacturing projects fell from 628 in 1974 to 471 in 1975 and to 394 in 1976. The number of project approvals during the same period fell from 525 to 461 to 425. What is even more telling and alarming is that the proposed paid-up capital in those approved projects fell from Ringgit 1.9bn. to 1.4bn. and only 1bn. last year.

It remains to be seen whether the controversial Industrial Coordination Act will permanently damage the manufacturing sector. Having felt the backlash from investors' plummeting confidence, the Government made certain concessions in the Act. Manufacturing concerns with less than Ringgit 500,000 (it used to be 250,000) in shareholders' funds or fixed assets and those employing less than 25 workers are exempted from the Act's provisions on restructuring of equity. This affects most Chinese enterprises and sole proprietorships. Also exempt are mills processing fresh fruits into crude palm oil and rubber processing factories.

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Handwritten note in Arabic script: "هذا من الأصل"

J.P. K... I.D.

# Slow progress on peace plan

DESIRE to channel most energies into social and economic development has left the Cambodian Foreign Minister, Mr. Ieng Sary.

Like the dying sinner he refuses to return to the Devil, the Government has no time to waste, and is concentrating on two major objectives: the strengthening of co-operation through the South-East Asian (Asean) and the threat of a zone of free trade and neutrality in the South-East Asian region.

Relations have since improved steadily, culminating in the new border agreement earlier this month. The agreement reaffirms certain earlier arrangements, providing for joint general and regional border committees to plan and supervise operations and counter-intelligence along the border, and for combined and co-ordinated operations. More significantly, it removes the distance limits on cross-border hot pursuit raids, formerly a bugbear to the Malaysian authorities. The new agreement is important mainly in that it marks a new willingness on the part of the Thais to co-operate actively.

At the same time tensions over the presence of Thai Muslim rebels on Malaysian soil seem to have eased. Malaysian officials say Thailand is taking a softer line and seems prepared to accept that unless the rebels are carrying firearms, a capital offence, or otherwise infringing Malaysian law, their mere presence does not constitute grounds for Government intervention.

Malaysians still worry about corruption in Thailand as a potential threat to stability, but a senior minister puts it this way: "We think the present Thai regime has a chance of holding the country together. It is still an impartial country with only peripheral rural settlements, and as long as they can hold Bangkok they have the country." As long as the degree of corruption among officials does not advance too far ahead of that built into the economy generally, the Thais are unlikely to support the drastic revolutionary movement required to uproot it entirely, he adds.

But no one rules out the possibility of a Communist takeover across the border and some officials and ministers are already saying Malaysia could, if necessary, learn to live happily with such a situation, provided its own integrity were respected at Government level and that any border squabbles remained free from third party interference. Similarly, Asean could accommodate a Communist Thailand, they say, though they

admit they might have trouble selling the idea on both sides. Such a situation would test Asean's credibility as a neutral, principally economic alliance, possibly influencing the attitude of the still hostile Indo-Chinese who have rebuffed most Asean overtures.

Though Malaysian Ministers bristle at the suggestion that Asean's economic achievements over the past ten years are less than startling, they affirm that much of the organisation's value so far has been in providing a framework for closer political co-operation. Mindful of Indo-Chinese suspicion, Asean countries have been scrupulously careful to avoid the merest whiff of a defensive alliance, restricting all military co-operation to bilateral arrangements, but the various Asean-sponsored meetings have provided a vehicle for promoting political contacts and fostering what is coyly referred to as "the Asean spirit."

## Agreement

Some officials go so far as to say Asean's scope as an economic union has been limited from the outset, that free trade is probably as much as ought to be attempted. Co-operation among largely parallel economies might crack under the strain of attempts at closer unity, they say. But others are more sanguine, seeing the first Asean summit in Bali last year as a decisive take-off point.

The summit produced two pacts — the Treaty of Amity and Co-operation, and the Declaration of Asean Concord — as well as the agreement on Asean preferential trading arrangements which provide for long-term quality contracts, purchase finance support at preferential interest rates, preferences for Government purchases, wider tariff preferences and more liberal non-tariff measures, to be applied specifically to basic commodities such as rice and crude oil, to products of Asean industrial projects and products for the expansion of intra-Asean trade.

The agreement was signed by Asean Foreign Ministers at their meeting in Manila last month and though it is too soon to assess its impact, some see it as a significant step towards free trade.

The Bali summit also led to the meeting of Economic and Planning Ministers in Kuala Lumpur at which the first five Asean projects were identified and allocated to separate countries. In the year since this meeting the five projects do not appear to have made much headway, a point Malaysia plans to thrash out at the next Asean summit in Kuala Lumpur this August, as well as pressing for more projects.

Malaysia's relations with Asean countries other than Thailand have remained relatively harmonious for most of the past year. Filipino resentment over the presence of Muslim rebels in Sabah and

Malaysian irritation over Indonesia's alleged reluctance to support any initiatives it cannot dominate have not been allowed to disrupt the surface calm.

Relations with Singapore, which have improved more or less steadily in the past few years, were threatened earlier this year when the Singapore Prime Minister Mr. Lee Kuan Yew accused members of the Malaysian security police of complicity in a "black operation" against the Singapore Government, but Malaysia has elected to let the matter slide following a face-saving statement by the Singapore Foreign Minister Mr. H. Rajaratnam, that Mr. Lee's claims were not intended to implicate the Malaysian Government.

More recent rumblings over the arrest in Singapore of Mr. Arun Senkuttuvan, a journalist alleged to have helped relay to the Malaysian leadership critical comments made privately by Mr. Lee last year, indicate that all is not back to where it was, and senior Ministers say Singapore will find Malaysia far less co-operative than it has been — and for some time to come.

Outside Asean, Malaysia's relations with other countries tend to be directed by the twin aims of attracting foreign investment and development assistance, and of avoiding too great a reliance on any one country.

## Trade

Trade with Japan still outweighs that with any other single country but efforts are being made to expand trade with Eastern and Western Europe and other countries.

Trade with China has grown steadily since the opening of formal diplomatic relations with Peking in 1974, though it does not yet constitute a major relationship. The Middle East, as well as satisfying the need for a cultural homeland, is seen as a potential source of development funds and it is worth noting that although the Malaysian Prime Minister has not yet visited Manila since his accession, he has been to the Middle East three times.

The strengthening Soviet presence in Vietnam and Soviet efforts to establish a presence in Asean countries through aid projects are closely watched, and although Malaysia officials will not admit to any uneasiness yet, Soviet offers to participate in major development projects have met little success, relations with the superpowers remain low key and so long as the interests of America, Russia and China in the region keep content to watch from the sidelines.

Margaret van Hattem

# Financial institutions

FINANCIAL INSTITUTIONS in Malaysia have undergone fairly rapid and orderly growth in recent years. They may not provide as extensive a range of services as their counterparts in Hong Kong or Singapore, but Malaysian authorities are not planning to develop Kuala Lumpur into a financial centre similar to those two cities, and as such, comparison is not quite fair.

Malaysian authorities would like to see Kuala Lumpur developing into a financial centre to attract medium and long term loans for the development of the country's very substantial natural resources, and to service an international commodities market, which is being planned.

Bankers and other financiers often complain about the rigid control exercised by Bank Negara, the Central Bank, but it is due to the vigilance of the bank, and in particular to the no-nonsense attitude of its powerful governor, Tan Sri Ismail Ali, that the financial scene in Malaysia has not been shaken by major scandals that could undermine public confidence.

Like all other public organisations, financial institutions in Malaysia are expected to conform to the new economic policy. In fact, the authorities have and Hanoi will be come to rely a great deal on by another, in Phnom commercial banks, borrowing topic unlikely to have companies, provident funds, in-

urance companies and other institutional investors, as a major catalyst in their plans for economic and social restructuring.

Before independence in 1957, the commercial banking system was dominated by a few foreign banks, whose main business was to serve the needs of plantation agriculture, mining and international trade. There were then 20 banks with 88 branches. Twelve of them, with 77 branches were foreign owned. By the end of last year there were 36 banks with over 400 branches. Half of the banks are locally incorporated. In line with the growth of the economy, total assets of commercial banks grew from Ringgit 832m. in 1957 to well over Ringgit 13bn. last year.

## Ordinance

Under the banking ordinance no foreign government-owned bank is allowed to operate in Malaysia. The Bank of China was asked to close in 1959, and when the Indian Government nationalised banks in 1974, the Indian banks here were reorganised into one private bank, with local equity participation.

Commercial banks and licensed borrowing companies (finance companies) have to follow certain directives issued by Bank Negara in dispensing general laxity in bank prac-

loans. Under the latest directive, they are to allocate a minimum of 20 per cent of the total increase in loans and advances to bumiputras, 10 per cent to agricultural food production, 25 per cent to manufacturing, and 10 per cent for individual housing. The maximum interest rate for loans to bumiputras, small scale enterprises, and housing is fixed at 10 per cent.

Although the banking system is basically sound and reliable, with banks keeping a liquidity ratio well above the minimum liquidity requirement of 25 per cent, there are still some unsavoury practices in the management of some banks, particularly local banks. Bank Negara in its annual report last year lists five sins still fairly prevalent among local banks. These are: ineffectiveness of Board members to supervise the running of the bank with the result that one Board member assumes virtual control of the bank; excessive loans given to bank directors and companies in which they have an interest, often without adequate security; the involvement of bank executives in speculation and other questionable transactions; the lack of dynamism among bank branches with bank management viewing their branches as mere deposit centres, and the

Continued on next page

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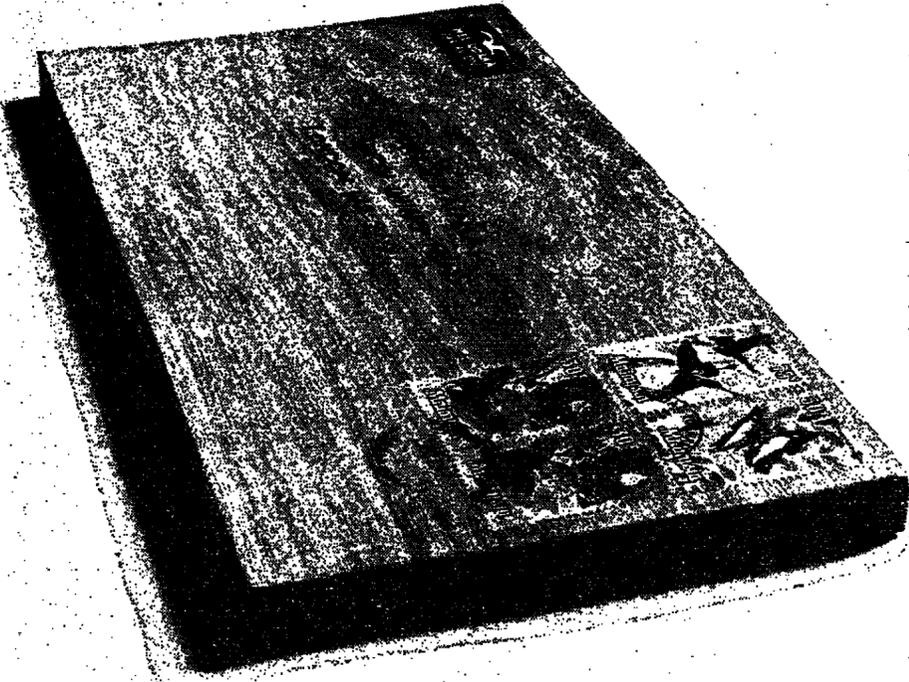
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## MALAYSIA VIII

# Foreign investors return

THE MALAYSIAN Government has swallowed its pride and braved the criticism of more nationalist-minded Malays in order to go out of its way to calm the nerves of investors—both foreign and local. Privately, many Ministers now admit that the two pieces of legislation—the Petroleum Amendment Act and the Industrial Coordination Act—passed in 1975 had been disastrous in driving away investors. As a result, the authorities have been spending much of the past year trying to undo the harm done.

"I must admit we had had prior warnings about the repercussions of the two Acts," said a Malay Minister. "But we thought we could try and make a frontal attack in the implementation of the new economic policy."

The introduction of the two laws could not have been more badly timed. Investors were getting very jittery about the future of South-East Asia following the rapid collapse of Indo-China to the Communists. In Malaysia itself the Communists, buoyed by the Indo-China victories, launched a series of sensational attacks throughout the country. Businessmen in Malaysia were also feeling uncomfortable at the sight of the growing number of Government-sponsored organisations—both federal and State—probing their tentacles in areas traditionally regarded to be the preserve of the private sector.

Against this background of uncertainty and apprehension, the two Acts only served to confirm the gloom. The flow of private investments suddenly dried up. Private investment actually registered a fall in 1975 because of the economic recession and the uncertainty, and it picked up by only a miserable 3 per cent last year—very much below the 10 per cent target envisaged in the Third Malaysia Plan.

The Government was visibly alarmed: the concern being compounded by the fact that the economy had been performing splendidly during the past year. Yet investors are not showing any interest in taking advantage of the boom.

A couple of Ministerial investment missions were sent overseas to reassure potential investors in Europe and Australia. At home numerous

business conferences were quickly organised, and the very top of the Malaysian echelon went out to meet the private sector to reassure them about the Government's commitment in the free enterprise system, and that their investments were secure.

A Cabinet committee to stimulate investment was formed under the Deputy Prime Minister, Dr. Mahathir Mohamed. Dr. Mahathir's tough stand towards the civil service unions over the Ibrahim Ali salary recommendations could be partly attributed to the fact that he is keen to reassure foreign investors that the Government would see to it that the unions would remain "responsible" and that wages of the Malaysian worker would not be too much for the employers to bear.

Another frustrating package deal which the businessmen are trying to get approvals for: work licences, customs, etc.

Dr. Mahathir tells investors to look at the Government's past record. "We have seldom been able in the past..."

There are indications that the Government is picking up with the anticipated domestic demand, and that the international recession is over.

The private sector is playing the major role in attaining growth and under the Third Plan of the total project amount of Ringgit 46.8 billion, expected to come in the private sector, of which 3.65 billion are expected to be business investments.

Confidence that the rules of the game are not altered overnight is particularly important to the big foreign investor who may take years to show profitable results.

### Stalemate

After a long stalemate the production sharing agreements were quickly concluded late last year to the satisfaction of the Malaysian authorities and the foreign oil companies.

The controversial aspects of the Petroleum Development Act, including the sweeping provision for management shares to Petronas, were also removed. So long as the management share concept remained in the law, foreign investors were worried that such an idea might be extended to cover other industries.

The Government had several lengthy meetings with the private sector on the Industrial Co-ordination Act, and is preparing to push through some amendments at the current session of Parliament which should ease the fears of manufacturers, especially the Chinese. Manufacturers are unhappy over the Act; as they see wide scope for the Government to force them to restructure their equity, work force, marketing, and distribution in favour of the Malays, as well as to alter their lines of operation.

Foreign businessmen appear to be partially mollified by recent Government actions and assurances, but they are still somewhat uncertain and apprehensive. This feeling of uncertainty over Government policy is complicated by the recent Board battles in Sime Darby and Golden Hope; during which

there were charges of "back-door nationalisation" and "Government pressure" coming from the London end.

There was certainly a high level of Government involvement, directly—and, more important, indirectly—in the Sime Darby struggle, as it is inconceivable that Petras, which holds such a small block of shares, could stage such a coup in wresting control of the company from the British directors.

On the other hand, the whole unhappy episode could have been avoided if the British directors had kept tabs on the subtle undercurrents in the Malaysian business scene over the past few years, and were more responsive to demands for stronger Malaysian representation in the affairs of the company.

The writing is on the wall. The Malaysian Government wants Malaysians to run the economy, and it particularly wants the Malays to play an increasing role in this.

Under the new economic policy (NEP) foreign ownership in the modern corporate sector is expected to decline from its present 55 per cent to 30 per cent by 1990. The Malay share will be 30 per cent, with the

### Enterprise

Every business enterprise involves risks, and Dr. Mahathir contends that among countries in the region Malaysia offers the best package deal for investors. There is red tape, but the Government is responsive. There is corruption, but it has yet to become blatant. The security situation is under control. Investors can calculate with a good degree of accuracy the costs and time involved in setting up their plants in Malaysia, and the time needed to recover their capital and make profits. Foreign exchange regulations are very liberal, and investment incentives are sufficiently attractive. Labour is young, educated, and still cheap.

What is wrong, asks Dr. Mahathir, in Malaysians desiring to acquire foreign companies? "We do not deny all these attractions," counters an American banker. "For the foreign investor doing business in Malaysia is so much easier and more pleasant than doing business elsewhere. But what is worrying is that the Government may drastically change the rules of the game. This is a legitimate fear, and this has been demonstrated by the introduction of the Petroleum Act and the Industrial Co-ordination Act. Confidence that the rules of the game are not altered overnight is particularly important to the big foreign investor who may take years to show profitable results."

### Institutions

CONTINUED FROM PREVIOUS PAGE

writing of loans, was highlighted during the past months, as the major Boardroom battles unfolded in the wake of corporate changes. Since their appearance in Malaysia, merchant banks are not allowed to deal in foreign exchange, as the Government feels that commercial banks should get a head start before merchant banks can come into the market.

The most important development affecting the Malaysian Stock Exchange was the application of the Securities Industry Act last December, giving overriding powers to the Government in regulating the activities on the Exchange, and giving legal status to the powerful Capital Issues Committee.

The money and capital markets in Malaysia have also grown in recent years, and judging by the substantial amounts of funds which the Government would require to raise domestically for its Third Plan, the local market should remain buoyant in the years ahead. In 1970, there were two rather inactive merchant banks. Now there are 11 such banks with a paid-up capital of about Ringgit 50m. Four discount houses are operating in Kuala Lumpur, while there was only one a few years ago.

The main instrument in the money market is the Treasury bill, which has grown in value from less than Ringgit 500m, 10 years ago to more than Ringgit 1.8bn. Since August 1973 Treasury bills were issued on tender instead of on tap, thereby introducing a further degree of sophistication in the market, as participants had to keep track of market conditions in their bids. The participants in Treasury bills and other Government securities are mainly the banks, borrowing companies and big institutional investors, who have to keep a certain amount of their deposits in Government securities. To improve the liquidity of Government securities, the Central Bank is encouraging their holders to develop an active secondary market.

The Securities Act, based on the Australian Act, and incorporating some features of the American laws, has caused a lot of disquiet among the exchange fraternity. However, the Government maintains that it has to move in to ensure the development of a healthy and sound exchange, as the former Exchange had not been exercising sufficient control over its members, and the running of the exchange. All those involved in the securities market are required to obtain a licence from the Registrar of Companies. The idea of "seat money" has been scrapped, as the Government feels that such a practice is restricting others, especially the Malays, from joining the exchange. The Act provides for fines and jail sentences for offences like rigging the market, insider trading and the issue of false and misleading statements. However, the most worrying part of the act is the need for members to declare all their assets and liabilities, and brokers are trying to get an assurance from the authorities that this financial exposure will be kept confidential.

Business-wise, dull conditions prevailed on the market throughout most of last year. The market started on an encouraging note, and the industrial index nearly breached the 300-mark in mid-February. Turnover for the first quarter registered 181.1m units, valued at Ringgit 492.6m. However, the market began to slide when genuine support was not forthcoming. The investment outlook was dampened by uncertainty about the local political scene, and industrial legislations. Turnover for the whole year was only 452m units valued at Ringgit 1.01bn, a decline of 30 per cent and 23 per cent respectively over 1975. Of the 264 companies quoted on the exchange, 27 remained suspended, 13 of them at the request of the companies themselves. Brokers and dealers complain that this is one reason for sluggish trading, and the dull conditions prevailing during the first quarter of 1977, serve only to compound their gloom.

Most bankers feel that the money and capital markets in Malaysia could expand their activities and develop further sophistication through the introduction of more money market instruments, but Bank Negara tend to adopt a cautious approach in assessing the implications of any proposed innovations before introducing them. "It would not be proper for us to introduce new monetary instruments merely for the sake of increasing variety or because they are successful elsewhere. We need to consider whether or not they would be suitable for the conditions existing here, and whether they would help to achieve the objectives of our national development," says Tan Sri Ismail Ali.

The role of merchant banks in Malaysia, especially as corporate advisers, and arranging for transfer, and under-

### Watchdog

The CIC, set up in 1968, and headed by Tan Sri Ismail, acts as a watchdog for the investing public. Its approval is necessary for all forms of raising capital on the Exchange, including new issues of shares, reconstruction, takeovers, option schemes, acquisition of assets through share issue, and listing of shares. Until June last year, the issue of bonus shares did not require CIC's approval, but the CIC has since sought to control this, as it had noted that public companies were indiscriminately realising their assets without regard to the accepted standards of accounting.

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### A FINANCIAL TIMES SURVEY WORLD BANKING

APRIL 25 and MAY 2 1977

The Financial Times is preparing to publish its annual two-part survey on world banking on April 25 and May 2.

Part 1, on April 25, will include in its edited coverage analyses of the international financial and economic situation; international monetary arrangements; internationalising interest rate trends; gold, foreign banks in London and reviews of economic industrial developments in a number of countries, mainly in Europe.

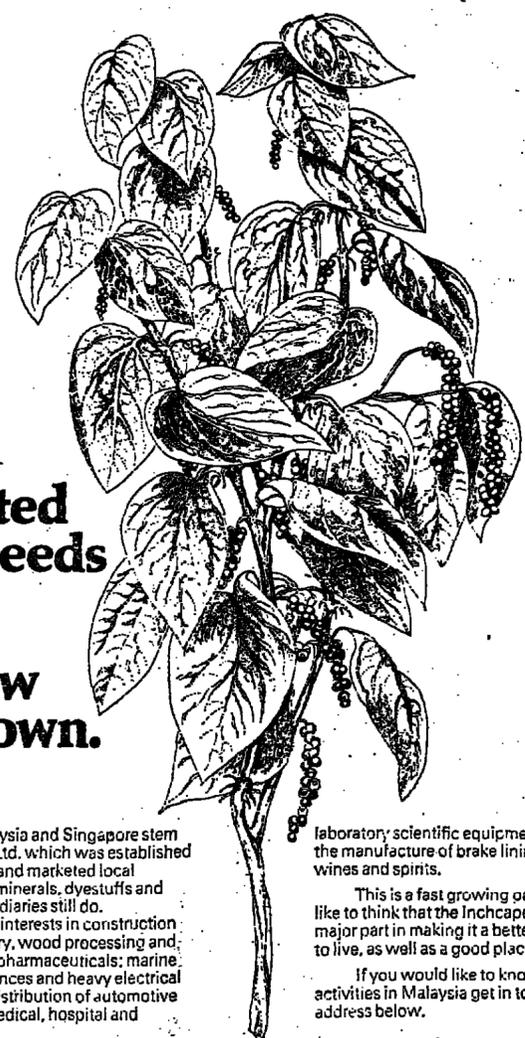
Part 2, on May 2, will contain articles on: pound; the dollar; the Euromarkets; profit; non-OPEC developing countries; financial centres in the Middle East. Of articles will review financial and industrial developments in a number of countries including the United States, Japan and COMECON nations.

The proposed publication dates are April and May 2; copy dates are April 11 (Part 1) and April 18 (Part 2). For further details of the synopsis and advertisement rates contact Helen Lees, 01-248 3000, extension 2, Financial Times, Bracken House, 10, Cannon Street, London EC4A 3DF. Telex: 855035.

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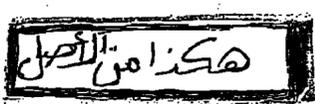
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J.P. [Signature]

# Cautious approach to oil

SUCCESSFULLY con- tors, are allowed to deduct a production sharing maximum of 30 per cent to its with the two major cover costs (cost oil) while the oil companies, officials remaining amount (profit oil) is as, Malaysia's national split 70:30 in favour of Petronas. any, are now settling In addition, the oil companies draw up a programme will pay income tax at the rate development of the of 45 per cent. All told, the oil and gas resources deal works out, after tax, to massive mistakes of be 83.5 to 16.5 in favour of the producers before it as Malaysian authorities.

The Malaysians will get litations, Petronas -is slightly less than the Indon- the policy of "slow esians, who operate on the 85:15 dy, and you'll not be profit formula, but considering that Malaysian wells are gener- ally smaller, and the unfavour- able economic climate pre- nd this is underlined valuing then, the agreements vil service background represent a fair and satisfactory settlement for all parties.

The task facing Petronas, controversial Tengku now that it has assumed the role of the owner of Malaysia's oil, are enormous. Shortage of skilled personnel is an acute problem which cannot be solved easily as experienced oilmen are hard to come by anywhere. The Malaysian National Oil Com- pany is hardly two and a half years old. It began with Tengku Razaleigh, and a few office clerks, but it has shown ability and maturity to handle the major oil companies. Right from the start, Petronas has been a solely Malaysian-run organisation.

### Reserves

The relationship between Petronas and the oil companies is to use them to get monious. Both sides still harbour a feeling of distrust. anese firm C. Itoh has Petronas officials are not sure the contract to draw that the oil companies have plan for the develop- given them all the information Malaysia's oil and gas, about oil reserves and about export is expected to their operations. The oil com- pater this year. It will panies on the other hand are oil and gas reserves, anxious to operate with mini- energy needs of mum supervision and control. identify the potential Exxon wants to recover its 'kets, and recommend costs incurred since it began sing the oil and gas operations in 1964. It quotes a figure of US\$450m. But Malaysian economy, Petronas is unconvinced. Both sides have resorted to an inde- pendent assessor to go through the books.

The Malaysian authorities are tween the Indonesia demanding that Shell instal East models. Under expensive meters on its seabed a, 10 per cent of the pipelines to monitor the actual the Federal and State volume of oil extracted from its as royalties. The its Sarawak fields, as they have mpanies, as contrac no other way of finding out

whether Sarawak's oil is not be- ing siphoned off to nearby Brunei Shell.

Petronas officials find the work programmes submitted by the two companies to be lacking in information and frankness. But both sides agree that theirs is a new relationship, and both parties will take time to adjust, especially after spending two years confronting each other across the table.

The oil companies may be supplying us with information on only 70 items when we asked for a hundred, but we cannot jump up and accuse them of cheating. In the past they may have been supplying us with information on only seven items," says a Petronas official. "They had been operating in- dependently in the past, and it will take some time to adjust to a new relationship with us."

Based on available informa- tion, Malaysia's oil reserves are estimated at 1bn. barrels, which exhausted in 18 years at a daily production of 200,000 barrels or 9 years if output is at 300,000 b/d.

Natural gas reserves, trans- lated in oil equivalent, are about the same as the oil reserves. At present, daily crude production is about 180,000 barrels. Shell produces 175,000 barrels and Exxon 5,000. Output is expected to reach 200,000 b/d by the end of this year, with Exxon putting more drills at its Tembung field in Saban and Shell stepping up its pro- duction in Saabah and Sarawak. Exxon hopes to put up two production platforms (they were mothballed for more than a year in Japan because of the production sharing talks) in its contract area off Trengganu before the monsoon starts in October, but production from Trengganu for this year will be minimal. It could, however, reach 50,000 b/d by 1980. Over the next two years more than Ringgit 1.5bn. is expected to be spent on exploration and produc- tion, and most of this develop- ment will be undertaken by Shell and Exxon.

During the early 1970s Malay- sian officials used to talk excitedly about the coming oil bonanza, citing projected pro- duction figures of as high as half a million b/d by 1980. But oil is now seen in a more sober perspective. Malaysians have never depended on oil for a living. Oil revenue is a bonus—perhaps a timely one, as it will help to finance the huge Government commitments under the Third Malaysia Plan and an expanding armed force to fight the Commu- nists.

But on the other hand Malaysia has to import oil (mainly heavy Middle East crude) for its own consumption, currently esti- mated at 110,000 b/d and grow- ing at a rate of 8 per cent.

Petronas officials feel that oil production should be increased at the rate of 10 per cent a year, which, they say, represents a good growth rate compared to the growth in other sectors of the Malaysian economy.

Petronas is already doing its own marketing of the Malaysian share of the oil. It has an agree- ment with the Philippines National Oil Company to supply a daily 8,000 to 10,000 barrels, and it recently concluded agree-

ments to supply four Japanese companies. The price is around \$U.S.14 a barrel, which is higher than Middle East crude, as Malaysia's oil is low in sulphur content.

The main task ahead is to develop the large natural gas deposits off the Sarawak coast. The fundamental principle of setting a liquid natural gas plant in Bintulu in the State's third division, transportation and marketing of gas to Japan, have been reached between Petronas, Shell and Mitsubishi, but none of the parties are prepared to give a firm date when the whole agreement can be signed and sealed.

The LNG plant is estimated to cost \$U.S.2bn., making it the single most expensive project in Malaysia, and it will supply 6m. tonnes of LNG annually to Japan for 20 years. The LNG is not expected to be available before 1981, which means that the Malaysian National Shipping Line, which had already ordered five LNG tankers from France at the cost of \$U.S.700m., will have to find some other users when the ships are ready by 1979, and probably suffer some heavy losses in the process.

Negotiations are going on with the oil companies on Petronas acquiring a majority share in the downstream activities like refining and distribution. A

Three companies, one to build and manage the LNG plant, another to transport the gas and a third to market it in Japan will be formed. Petronas will take up 65 per cent in the company that will build the LNG plant; negotiations on the other two companies are still going on.

Petronas refinery will be built in Trengganu. Talks are going on between Petronas and Conoco on a production sharing agree- ment. Conoco has found oil off Pahang, but wants a better deal than Shell and Exxon, as it claims its find is marginal, but such an argument is not accept- able to Petronas. Over 50 other oil companies are waiting for a chance to get a slice of the action in exploring in Malaysian waters, but so far Petronas has not began any negotiations with them. Once again the Petronas line is that there is no need to rush into commitments.

Tan Sri Kadir has talked about Petronas building a urea plant to supply Asean needs, as part of the five Asean industrial projects. He also wants the local market to be supplied with petroleum and petroleum- related products at reasonable prices. All these plans will take a more concrete form once the masterplan on oil is ready.

W.S.

# Happier times for rubber

IN NOVEMBER, 1974, barely three months after he was made Minister of Primary In- dustries, Datuk Musa Hitam had to rush up to the Sik and Baling districts in Kedah to face the wrath of several thousand rubber smallholders. They jeered when he tried to explain the mechanics that govern the rubber price, and how little the Malaysian Government could influence the market. For the demon- strators the hard fact was that the rubber price had fallen to its lowest since the Korean war, and most of them were earning barely enough to feed their families. As Datuk Musa recalls, facing these angry and hungry farmers was a trauma- tic experience.

Recently he was back in the same area—this time to open a school hostel built by his Ministry for promising students of the smallholders. He was given a good welcome. The farmers were smiling, and when he recounted his visit in 1974, many of them were clearly embarrassed.

Like other rubber-growing districts in Malaysia today, there is an air of well-being in the Sik and Baling districts. The rubber price had been good throughout last year, and promises to remain good for the coming years. Prices of consumer goods are more stable these days, and the people of Sik and Baling are looking forward to the development projects that the Govern- ment has promised them after their demonstrations. Even for the share-cropper, who is a tenant on the rubber holding that he taps, life at the moment is fairly tolerable.

But no one can definitely say that the rubber price will not fall drastically. The severe winter, which led to the tem- porary closure of car plants in the U.S. in January, will test will come when the price falls.

Rubber is Malaysia's biggest employer and revenue earner. More than half a million people work on the rubber smallhold- ings or on the estates, and last year Malaysia exported 1.6m. tonnes of rubber, worth more than Ringgit 3.2bn. In both exports and revenue last year's performance was a record for rubber. By next year oil will probably nudge up to claim the top slot as Malaysia's export earner, but oil can never have the same social and economic impact on the lives of Malay- sians as the milky latex that oozes out every morning from the rubber tree.

Accepting that the future looks bright for rubber, there are still some major challenges ahead. The most pressing is to improve the income of the smallholders and estate labour- ers. The future of thousands of families who had joined the FELDA land schemes seems to be assured, but the majority of the signing of the scheme and estate

CONTINUED ON NEXT PAGE

## Investors...take note!

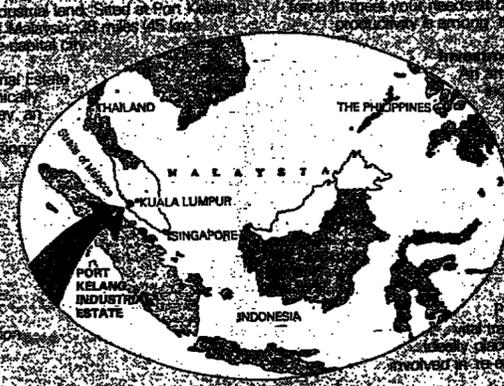
1000 acres of prime industrial land, situated at Port Kelang, on the west coast of Malacca, 25 miles (15 miles) from Kuala Lumpur, the capital of Malaya.

The Port Kelang Industrial Estate (PKIE) lies in the strategic Kelang Valley, an area marked by the Government as possessing the greatest growth potential in the country.

Infrastructure of the necessary roads, telephone, water supply, etc., will be made available to you at the Port Kelang State Development Corporation (SSDC).

Port Facilities: PKIE's proximity to international and domestic air services (Subang International Airport, 30 miles (12 miles) away), Port Kelang seaport, express road, and rail transport of cargo.

Other: PKIE is also a good location for those involved in export trade.



The Port Kelang Industrial Estate is developed by the Selangor State Development Corporation, a Government Agency committed to the growth and industrialization of the Selangor state. Big names already established in Selangor include Dunlop, Motorola, Texas Instruments, Motorola, R.J. Reynolds, Imperial Chemical Industries, Raleigh, Messel, Toshiba, Calsonic and more than 400 other industrial companies located in the Kelang Valley.

For more information on Port Kelang Industrial Estate direct enquiries to:

SSDC General Manager, Selangor State Development Corporation, 100, Jalan Sultan, Petaling Jaya, Selangor, Malaysia. Tel: 220516, 75066.

Project Office, SSDC, 100, Jalan Sultan, Petaling Jaya, Selangor, Malaysia. Tel: 220516, 75066.



### PRIME LAND FOR SALE

# Plenty to attract the tourist

**TOURISM** has registered steady growth over the years with more than 1m. visitors recorded since 1974. Last year, a difficult one for the travel industry at large, brought some 1.225m. visitors and with the five-year-old Tourist Development Corporation (TDC) pursuing an aggressive marketing campaign further growth seems assured.

Malaysia offers many attractions. A typical TDC brochure paints the country as a "tropical wonderland" with lush greenery stretching from the coast to the mountain tops. The modern cities, the network of roads which are indisputably among Asia's best, luxury hotels and variety of shopping centres and holiday resorts provide a range of choice to satisfy even the most hardened tourist. The cosmopolitan society projects the image of "instant" Asia with a mingling of Malays, Chinese, Indians, Kadazans, Dayaks and others who still practice their traditional customs and retain their native dress and festivals.

Other tourist draws range from waterfalls and the picturesque beaches of islands like Langkawi to the wilderness of the National Park located in the heart of the jungle.

These now established attractions of the industry, combined with a sound infrastructure, have boosted foreign exchange earnings from the industry from some Ringgit 275m. in 1972 to almost Ringgit 400m. in 1975.

Because of its labour-intensive nature—the industry employs an estimated 30,000—tourism has opened a new avenue for implementation of the Government's new economic policy. Bumiputra participation, particularly in related services like transportation, has risen.

The Third Malaysian Plan foresees further growth, with visitor arrivals projected to reach 1.9m. by 1980. The industry's growth potential appears restricted only by the Government's cautious approach to further expansion arising from a desire to ensure that traditional customs and cultural values are not sacrificed in the rush for the tourist dollar.

But while long-term prospects appear bright, the industry has a modicum of immediate problems. When most other sectors began to shake off the effects of the worldwide recession last year, the relative prosperity of the industry had enjoyed began to fizzle out. Before intensive promotional efforts in Europe had begun to pay off, air fares were raised, resulting in a drop in long-haul arrivals.

Although visitor arrivals were up 3.5 per cent last year (this does not include arrivals via the causeway because of the difficulty of differentiating day-pass visitors from Singapore on bona fide tourists) long-haul arrivals from Britain, Australia, New Zealand, Western and Eastern Europe were down

some 7 per cent. Arrivals from the U.K. alone were down 15 per cent. Japanese arrivals responded well to the TDC's promotional efforts in Tokyo and other cities to rise 30 per cent. to 63,000 but this gain was not large enough to offset the overall decline.

The drop in long-haul visitors has had a significant impact on at least the current fortunes of the hotel industry, in which some Ringgit 245m. has been invested over the past six years. In 1971 there were 4,900 rooms of international standard available. To-day the country has some 12,000.

Occupancy rates have plunged and luxury class hotels may have to shut down as many as a quarter to a third of their rooms. Staff retrenchments appear likely if the situation does not improve.

## Favourite

Penang, for long a favourite of the European and Japanese tourist, has been particularly hard hit. With Thailand's tourism in the doldrums because of political uncertainties, fewer visitors to Bangkok are spilling over into Penang.

At least part of the industry's current problems stem from the low-key approach to domestic tourism. Well over 1m. Malaysians go abroad each year but not enough travel domestically to sustain the industry during off-peak or lean periods. It is

still easier and cheaper for Malaysians to visit Sumatra and Thailand than for them to travel between peninsular Malaysia and Sabah and Sarawak.

To rectify this situation and, hopefully, channel part of the large numbers going abroad to domestic resorts, the TDC recently commissioned a study on the habits of domestic tourists, their needs and places of stay.

Although about 700,000 of all arrivals, excluding those who came across the causeway, were from the other four Asean countries, many in the industry feel that not enough has been done to promote regional tourism or to co-ordinate Asean efforts in attracting tourists from outside the region. So far only the Philippines has seen fit to extend the current 14-day no-visa facility for Asean nationals travelling within the region to 21 days.

Asean national airlines are also reluctant to accord attractive enough discounts on some of their more lucrative routes for intra-Asean travel, while the Asean permanent committee on tourism has not gone far beyond production of Asean posters and convention brochures because of a restrictive budget.

On the domestic front the TDC has set itself an ambitious programme to lay the infrastructure for future expansion. Among the major projects now underway are a



Dragons and demons at the entrance of the Thai Buddhist temple.

# Palm oil tops world league

**MALAYSIA** carved out an even bigger slice of the world's palm oil trade last year, increasing its share of global output to some 45 per cent, against 42.5 per cent in 1975.

Adverse market conditions largely arising from oversupply in the vegetable oils and fats market and a strong lobby against the "sun-robed" palm oil—star performer of the agricultural sector during the first half of this decade—of much of its lustre but helped reinforce official views on the need for long-term measures to stabilise the industry.

Malaysian palm oil moved firmly into the forefront of the edible oil market with production totalling some 1.8m. tonnes last year, 8.4 per cent up from 1975. Official projections are that the industry will expand production by an annual average of 15 per cent, until 1980, as an increasing number of planted areas reach maturity.

Exports of both crude and refined palm oil were 14 per cent higher at 1.3m. tonnes but with prices depressed at an average of about Ringgit 844 per tonne (fob), export earnings were 14 per cent lower at some Ringgit 1.1bn.

The easier market pushed palm oil from second place in terms of export earnings in 1975 to fifth place behind rubber, petroleum, timber and tin.

## Planted

Since the early 1960s when the Government pushed ahead with its plan to diversify agriculture away from rubber, oil palm cultivation has registered spectacular growth. At the end of last year there were 646,870 hectares under cultivation compared against only 78,000 hectares just 10 years ago.

Almost 42,000 hectares are estimated to have been planted last year but new cultivation is likely to decelerate from this year to an average of 32,000 hectares annually until the end of the decade, largely because of growing apprehension of oversupply.

Cultivation by the two Government-sponsored agencies, the Federal Land Development Authority (FELDA) and the Rubber Industry Smallholders Development Authority (RISDA) are also expected to be hit by the recent U.S. decision to withdraw support for international lending pro-

grammes designed to promote exports of palm oil.

Although the U.S. action stopped short of demands by the soyabean oil lobby for imposition of import quotas and duties, the move will have a significant impact on new growing by FELDA, which has financed schemes with loans from the World Bank and other multilateral agencies. Production, however, will continue to expand for the next six or seven years because of the large acreage that has not yet reached maturity, while even the oldest palms will not need replanting until 1985.

Last year FELDA boosted its planted area by 8,200 hectares to an estimated 192,564 hectares. The Authority, which is now the world's largest single producer of palm oil, increased output by some 23 per cent to an estimated 370,000 tonnes, roughly 26 per cent of total Malaysian output.

Much of the adversity palm oil now faces in the U.S. stems from inroads into the American market as early as the mid-1960s when supplies of cottonseed oil (fob), export earnings were 14 per cent lower at some Ringgit 1.1bn.

While the Government has admitted that the current rate of expansion cannot continue indefinitely without a situation somewhat similar to that faced by the rubber industry in the 1960s, developing progress towards regulating the industry has been very slow.

The Palm Oil Registration and Licensing Authority (PORLA) Bill, passed by Parliament eight months ago, is still awaiting implementation and officials are somewhat embarrassed that progress has not gone beyond the shortlisting of potential candidates to head the body. PORLA has been given the all important task of ensuring that further expansion in production is in line with world demand. To achieve this it has been accorded wide powers to regulate supply, sale, distribution, storage and exports of palm oil, fresh fruit and palm kernel.

It will co-ordinate the work of departments and agencies connected with the development of industries producing or using refined palm oil while

working to maintain a standard of oil of the current industry is in, P expected to make felt until late the earliest.

Much of the vances the industry recent years has the efforts of prv research instatut that much of the n term prospects widening the p range of end-use moves are now setting up of a search institute. Primary Industry lining the need fo ance of such a expected, in approval of the development. Plans Forla will levy a on all exports in search.

## Position

A standard M oil is also being strengthen Malaya a supplier of qu a Malaysian palm expected to be within the next part of the overs velop Kuala Lu commodities centr

The increasing omic recovery hat that 1977 will be for the indust officials expect the to firm some six average at Ringgit the year.

At least part of that palm oil ear this year stems added through domestic refining, her last year th refining and plants in operati to 13 in 1975. W9 and value of re ports rising rapid ment last year if on the first time, an on all processed

New markets a sought in West a Pakistan, where t much headway re because of palm a price differential edible oils. Prox areas will also g try the added t lower freight chi

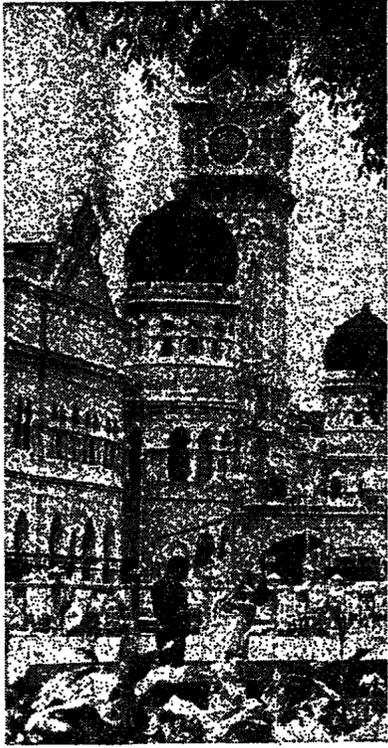
Mervin



Malaysia's beautiful hand-printed bendo and rich hand-woven sarong (brocade) are famous the world over. They come in a riot of colours and patterns.



In Sarawak, an Iban debutante dons her ceremonial headdress for a festival in the longhouse — an extended communal home which can hold from 10 to 100 families.



A major landmark of Kuala Lumpur, Malaysia's capital, the Moorish-style Sultan Abdul Samad building was completed in 1897. It overlooks the Selangor Club and padang where sedate games of cricket are still being played.

**If you dream of a vacation full with all the magic of the East, there's one place you must go.**

All you ever dreamed of the East. All the people, the cultures, the foods, the costumes, the mosques and the temples. The spice of cooking. The spice of living.

Palm trees running down to deserted white beaches. Bazaars to bargain for handmade treasures. The warmth of the sun only challenged by the warmth of the people.

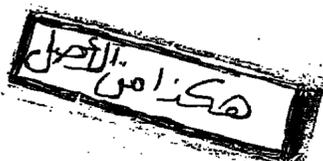
It's all here in Malaysia. We're just north of the equator. On our west coast the Straits of Malacca flows into the Indian Ocean and the South China Sea cools the beaches on the east.

As traders of old found, Malaysia is a perfect stop on a journey. But you'll very soon realise why so many people wish to stay on.

We have so much to tell you. About the beautiful hospitality of our hotels. How surprisingly inexpensive a holiday can be here. Write your name and address on a piece of paper and post it to us. Do it now. You've waited long enough.

Tourist Development Corporation of Malaysia,  
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UNITED KINGDOM, Tel: 01-499 7388

**MALAYSIA**  
It's all here.



SOCIETY TO-DAY

# Fewer Class V babies • urban decay

A T under-class of manual labourers is being born. Fresh evidence has appeared in the past few days, while most of us have been talking about typists, clerks, salesmen, shop assistants and — on the manual side — cooks, railway guards, plasterers, bricklayers, and other skilled workers.

But if you lump together social classes I and II at the

The story at the other end of the scale is almost exactly the reverse. Social class IV (bar-men, bus conductors, canteen assistants and so on), together with class V (cleaners, stevedores, labourers, lorry drivers) produced 168,000 offspring, or just over 23 per cent. In 1970, it was down to 112,000 births, or just over 20 per cent of the total.

There are several explanations for this phenomenon, some of them backed by a certain

What cannot be known at this stage is the degree to which families in these classes will return to the former practice of having large numbers of children if, say, the economy takes a marked turn for the better.

Yet one of the likely contributing factors suggests that our society will not arrest its declining birth rate, or stop the more rapid decline in the number of children born to manual workers, without a change in taxation and social security policies. This is not to say that such a change is a desirable means of attempting to counter demographic trends, or even that it necessarily has begun to fall; it is just that the whole balance of social spending and taxing over the past generation has been weighed against families with children, with an increasing number of chips pushed towards the pensioners' pile.

Of course the new system of child benefit, which starts with the new tax year, will change this mechanism; whether it changes the birth rate, or the propensity of the lowest classes to extinguish themselves, is more likely to be an incidental by-product of whatever fiscal decisions are made than the result of a careful consideration of the way our society is changing.

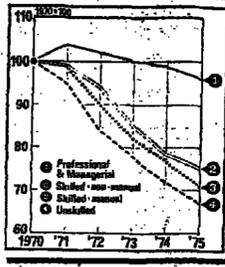
Meanwhile, apparently oblivious of the changes in the world around him, the Secretary for the Environment, Mr. Peter Shore, is trying his best to produce a piece of paper that will live up to his grandiose promises to revitalise the inner cities. Whatever he turns out in the end, after a tough argument with the Treasury, will probably not be too harmful, since there isn't enough money available for real damage — but, really, Mr. Shore should study what has happened in the past.

IBM — no less — URBED recently organised a conference under the chairmanship of Lord Seebom at which we debated ways of discovering new entrepreneurs, or old ones in difficulties, and channelling the help of experienced businesses in their direction.

Some local authorities are less helpless than others, and it appears from what we were told at that conference that Greenwich has, of its own accord, attracted new jobs and companies by the simple expedient of appointing an "employment development officer" who not only told the businessmen what the council was up to, but told the councillors what the businessmen required.

Analysis, by David Pearce and John Britton, appears in the latest edition of the Statistical Service Population Trends, published last Thursday. Mr. Pearce's figures, which are regarded as the most reliable, show that the proportion fell to 1.20 years later. What happened since then — since suggested by a recent of birth rates, which it the fall in the numbers born every year the steepest among the king classes.

top and IV and V at the bottom, it is seen that the upper groups are responsible for an increasing share of births, while the lower groups account for a falling share. The table shows this in detail. In 1970 classes I and II — doctors, lawyers, other professionals, managers, teachers, nurses, MPs, senior civil servants, and the various others put in these categories by the census takers — produced 148,000 babies, or about a fifth of the total for England and Wales in that year. Five years later the number of births to parents in these upper classes was 142,000, or more than a quarter of the total.



**BIRTH RATES BY SOCIAL CLASS — ENGLAND AND WALES**

	Total births ('000s)*	Professional/Managerial %	Skilled non-manual %	Skilled manual %	Unskilled %
1970	720	20.5	10.5	41.8	27.3
1971	717	21.6	10.5	41.6	26.3
1972	663	22.9	10.7	41.0	25.3
1973	618	23.9	10.5	39.8	25.2
1974	583	25.0	10.3	39.8	24.6
1975	549	25.9	10.4	39.0	24.4

\* Including Armed Forces, Students and Others not in the occupational classification. Source: Population Trends

amount of serious research and some of them, by guesswork. Upwards mobility out of the manual-labourer class is a more common aspiration than some people seem to think; the notion that if one's father is a stevedore then stevedoring is the only possible future is apparently fading away. At the same time an increasing proportion of women married to unskilled manual workers is going to work, although the social pressure on wives to stay at home, clean the house and rear children are apparently a long time dying. The part that TV has played in breaking up

than can be extrapolated from the number of births recorded in each of the past five years, two of them being depression years. It could be that lower working class families have simply postponed having children.

When asked whether they want more children or not, the parents in classes IV and V seem less certain, and less consistent in follow-up interviews than others, according to Ann Cartwright and Warwick Wilkins, in "Changes in family building plans," published by HMSO last year. The two lower classes were found to be more likely to change their minds than others.

It is not the CPAG's task, as a pressure group for all on low incomes, to protest too much at relatively higher pensions, but it does assert that "for the past 20 years, successive governments have fiscally discriminated against children. This has

been achieved by allowing the value of family allowances to be eroded by inflation and by increasing more generously and regularly single and married persons' tax allowances than child tax allowances."

maintaining the necessary conditions for capital to flourish, not the interests of those who use the services," says the CDP team.

The right policy for the inner cities is to stand the CDP reports upside-down. State policies have failed; let capitalism have its chance. Do not be mistaken: to say this is not a means of evading the hard fact that the propensities of the lowest classes generally poor in the worst-off areas need direct income support, council housing, special educational help for their children, and the services provided by doctors and social workers, all urgently and in possibly larger quantities than they are getting in some such areas to-day.

## Monopolies and design

Greater London Council member for Finchley, Mr. Arthur E. Bryant, has written to the Greater London Council, recently the council, most of the Bank of London, that is, those from 10. This matter during the session of the last meeting of the GLC finance board. In view of what we were as that to make allotment investors in this have "prejudiced the new loan, also heavily bed and containing a provision similar corporation loan practised in full to all up to £50,000. It is instructive to see how the Bank how it is contrasting tactics. If investor's money is in future GLC loans, it make more sense — less time — to start a minimum application of £500 instead of £100 place? E.M.

## and mail

Yes. If correspondents on mail charges (March) would seem to be the common misconception that in real terms more. In fact, they are price charged may be the effect on the division. The average wage is a week, whereas in 60s, that is, each per £1 to spend instead send a 2lb parcel in 3d, a first-class letter, pinta cost 3d. At 10p, if the price charged relative to 1937, a 2lb parcel would cost your letter 12 1/2p (8 1/2p) data 25p (11p). Office parcels charge a still slightly lower, would be criticised as services when its letters is 32 per cent. On the other hand is ridiculously cheap, than half of the 1937 he same formulae, old now the amount (d) per gallon, whisky use rents £12 (12s). financial Times should 1.67p (2d). you will agree that as had the effect of ists and profit margins left of the consumer some benefits are in others. Lane, Gley, Herts.

## personal

Yes. A. Bryant. e undermentioned — letter from Nicholas Chapter XVI), written P to a delightfully money is concentrated, are at constructive to fail mentioning the results of successful mergers e at the present time, stocks which attract very little market interest are less efficiently moved only by high priced and provide opportunity constitutional con-analysis of one kind or another. Of course, should institutional Investors recognise this fact and compared with their previous Index match at least part of their

## Letters to the Editor

themselves masters, as I have, of the intricate and arduous study of politics: I would rather keep my seat and intend doing so." Arthur E. Bryant, 247, Creighton Avenue, N.2.

## Monopolies and design

From the Honorary Director, Design and Industries Association. Sir—May I comment briefly on the letters of Mr. Young (March 19) and Mr. Proctor (March 23) about the Post Office's new telephone design? State-owned businesses enjoy the privilege of monopoly which is denied to private enterprise. They exist to provide services in the most efficient way at the lowest possible cost. The subject of commercial companies is to earn a profit for shareholders. They are at liberty to make any product they believe consumers want—or can be persuaded to want. (When their advertising exploits children to poster parents for un-needed objects, they are, however, reasonably criticised). Business policies appropriate to private industry are therefore rightly condemned when they are followed by nationalised services in monopoly situations. A telephone should be functional, good-looking, fit for its purpose, and unmistakably a telephone. Any improvement in its design should also be a cost reduction. To waste money and resources, on pandering to the nostalgic desires of too-rich consumers for non-functional candlesticks is anti-social. It would be better spent on improving the alarm-call services like Mr. Steen are able to reach the House in time for important divisions. R. Plummer, Design and Industries Assoc., 12, Carlton House Terrace, S.W.1.

## Random walk hypothesis

From Mr. D. Damant. Sir—Further to Mr. Mukerjee's letter (March 25) in which he claims that the London Stock Market is not an efficient market, it may be interesting to note the work of D. H. Girman and A. E. Benjamin: "Random Walk Hypothesis for 943 Stocks and Shares Registered on the London Stock Exchange." This study, which dealt with the statistical characteristics of a series of share prices, and with no other factor, found that 30 per cent of the shares showed a random performance, 20 per cent non-random and the balance indeterminate. The 30 per cent which showed a random series were concentrated in the list of large, marketable securities and the 20 per cent non random in the small, unmarketable securities. As far as there is a connection between the randomness of Stock Exchange behaviour and the efficiency of the pricing of the stocks (and I would argue that this connection is not as tight as some commentators, such as Mr. Beckman believe it to be), this study by Girman and Benjamin is completely in line with the conclusion that leading shares, on which institutional skill and historical exercise are at constructive to fail mentioning the results of successful mergers e at the present time, stocks which attract very little market interest are less efficiently moved only by high priced and provide opportunity constitutional con-analysis of one kind or another. Of course, should institutional Investors recognise this fact and compared with their previous Index match at least part of their

## Export credit guarantees

From Mr. C. Price. Sir—On March 21 your insurance correspondent drew attention to the risks run by exporters who have to provide "on demand" bonds to support their overseas contracts and he asked "What can the exporter do?" As far as the bond wording is concerned, frequently the answer is "very little," and this for two reasons. Firstly, the buyers particularly in the Middle East and in the Soviet Bloc will not accept anything less than an unconditional guarantee and, such is international competition, can enforce their wishes on exporters. Secondly, in the U.K. and most other countries by far the greater proportion of bonds issued is provided by banks, who do not feel obliged to become involved in disputes between the customers and the parties and prefer an unequivocal obligation to pay promptly and without demur, as indeed their international reputation requires. In the U.K. for example, despite the laudable efforts of such companies as credit and Guarantees to promote the conditional bonds, the surety market is simply not as well developed as it is for example in the U.S.

## Laughter on record

From Mr. D. Richards. Sir—I cannot share Chris Dunkley's view (Television, March 23) that the Annan Committee appears to look absurd over its demand that dubbed audience reaction be removed from programme recordings. It is not before time that "canned laughter" is officially shown to be the disgrace that it is. The continued existence of certain programmes both domestic and imported owes a great deal in my view to this dubious practice. If the initial audience reaction at the time of recording is poor, those responsible should have the courage to let the programme stand or fall on its own merits and not try to influence the viewer and insult his intelligence by these artificial means. Mr. Dunkley referred elsewhere in his article that between them the BBC and ITV are pro-

## Reasons for mergers

From Mr. N. Stacey. Sir—Perhaps a reason for the apparent higher concentration of (some) industry in Britain compared to other industrial countries may be accounted for by the difficulties experienced in the recent years of small private companies to grow. No journalist, civil servant, politician or don can appreciate the vicissitudes of the small scale entrepreneur to gain a foothold in the industry stage; his problems to survive loom much larger to-day than a decade or two ago. Hence, an inadequate number of companies have grown into large firms which could have reduced concentration and enhanced competition. It may be easier to suggest that in his article—on the nature and outcome of mergers (March 24)—Mr. Owen does not comment on why some of them appear to have gone sour; nor are any suggestions offered on what type of company marriages fall in the desirable category. There is a hazard that mergers, as such, will be condemned—especially by those totally removed from business—since their favourable features and the beneficial effects of successful get-togethers are rarely discussed. Two of the crasser manifestations of the "English disease" are an enlarged devotion to historicism — especially in economics — and a shroud critical comments in unrelieved gloom. To evaluate current-day happenings in the takeover business in terms of the 1960s genre of "mergers is, therefore, a useless exercise. Equally unconstructive is to fail mentioning the results of successful mergers e at the present time, stocks which attract very little market interest are less efficiently moved only by high priced and provide opportunity constitutional con-analysis of one kind or another. Of course, should institutional Investors recognise this fact and compared with their previous Index match at least part of their

## Letters to the Editor

ducing a better service than any other country; let us hope that the public airing of this abhorrence will lead to its improvement still further. D. Richards, 34, Wolsey Close, Worcester Park, Surrey.

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## Letters to the Editor

when the buyer is in the public sector and will have a standard form of bond wording, the exporter has little scope for negotiation. In the second instance, however, it is not uncommon for an exporter to satisfy the bank's requirements by providing for the bond to be called "on demand" against a specified document for example, a letter from the exporter himself admitting default or an arbitration award in favour of the buyer or a ruling by an independent consulting engineer against the exporter. The exporter has his protection against himself against the "unfair" call and has relieved his bank from entering any dispute. Many buyers, particularly in the private sector, are not as adverse to negotiating over bond wording as one would think and the inclusion of the emotive words "on-demand" has occasionally been enough to satisfy the buyer.

## Success and size

From the Managing Director, Associated Independent Stores. Sir—It seems a pity that the board of Brown Muff appears to equate success in the department store with size (March 23). There are many relatively small independent stores who compare favourably with some of the larger groups in terms of return on capital employed. Undoubtedly the future is always uncertain for the inefficient business — large or small — and the answer must ultimately lie with the management and direction of the business. While it would be incorrect to suggest that membership of a voluntary buying group could protect an inefficient department store or on its own correct an adverse profitability situation, nevertheless membership of such a group does provide an independent store with a certain degree of basic strength enabling its management to compete on equal terms with the large national groups. Independent stores, providing their basic values and ranges are competitive, have the considerable advantages of flexibility, individuality in what is becoming an increasingly standardised area, and the ability to provide a specialist approach to what may be small but highly profitable sectors of the market. For many aggressive retailers what their size operating within such a buying group framework, the future need be anything but uncertain. T. M. Sheward, Associated Independent Stores, 157, Edgware Road, W.2.

## To-day's Events

- GENERAL: Mr. Denis Healey, Chancellor of the Exchequer, presents his Budget.
- EEC: Energy Ministers and Research Ministers meet, Brussels.
- Mr. Robert Muldoon, New Zealand Prime Minister, arrives in London for four-day visit.
- Mr. Nicolai Podgorny, Soviet President, scheduled to leave Zambia for Mozambique to end his tour of "frontline" African states.
- Anglo-U.S. air agreement talks continue, Washington.
- EC Regional Policy Committee visits British investment projects aided by its Development Fund.
- Mr. Michael Foot, Leader of House of Commons, speaks in British Airways Board Bill.
- House of Lords: International Finance, Trade and Aid Bill, Job Release Bill and Nuclear Industry (Finance) Bill, third readings.
- Representation of the People Bill, committee and remaining stages.
- Passenger Vehicles (Experimental Areas) Bill, third reading.
- New Towns (Scotland) Bill, second reading.
- Town and Country Planning (Scotland) Bill, consideration of Commons amendment.
- Returning Officers (Scotland) Bill, committee and remaining stages.
- Patents Bill, committee.
- COMPANY MEETINGS: Ashdown Investment Trust, 120, Chesapeake, E.C.3.
- Yeoman Investment Trust, 8, Waterloo Place, S.W.3.

# COMPANY NEWS + COMMENT

## Barratt slips but unit sales up 30%

FIRST half to end-December, 1976, turnover of Barratt Developments increased from £33.28m. to £45.76m. but pre-tax profit dropped from £4.26m. to £3.94m. Margins have been under pressure with cost inflation and the incomes policy taking their toll, state the directors.

However, despite the severe economic climate currently affecting the house building industry, the number of houses built and sold rose by 30 per cent, making a total of 8,000 for the full year 1976—this is the fourth consecutive year in which this rate of expansion has been achieved, it is stated.

The net interim dividend is being raised from 1.5297p to 2.30p per 10p share—last year's total was 6.3525p and profits were £9.7m, a record.

The strong forward sales position, supported by the excellent land bank, will enable the group to take full advantage of the recent upturn in the private sector. Current housing activities extend over 260 developments throughout Britain, say the directors.

The group's involvement in both contracting and commercial development continues to make satisfactory progress; in particular future rental income will receive a substantial boost from two fully let major office developments in Scotland which will be completed this year.

Company	Page	Col.	Company	Page	Col.
Assoc. Sprayers	27	8	Metaltrax	27	7
Barratt Developments	26	1	Mucklow (A. & J.)	27	3
Black & Edgington	26	7	Ofrex Group	26	3
Brent Chemicals	26	5	Paterson Zochonis	26	6
Burgess Products	27	3	Pifco Holdings	26	7
Clayton Dewandre	26	4	Quick (H. & J.)	26	3
Duray Bitumastic	28	6	Reckitt & Colman	27	1
Edinburgh & Dundee	26	5	Rolls-Royce Motors	28	5
Fisher (James)	26	5	Scottish Life	27	7
Freemans (S.W.9)	27	4	Willis Faber	26	2
Inverisk Group	28	5	Wolstenholme Bronze	27	4

The loss per share is given at 38 cents (earnings 142 cents) and there is no dividend compared with a total of 50 cents.

After a tax credit of \$60.75m. (charge \$35.36m.) the net loss was \$25.39m. (profit \$25.39m.).

Blackwood Hodge has a 75 per cent interest in Blackwood Hodge (Canada).

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**Willis Faber pays 7.5p**

DUE LARGELY to the inflow of additional business to London, appreciation of foreign currencies and substantially improved results from associated companies, pre-tax profit of Willis Faber for 1976 was £16.22m., against £10.15m. for 1975. This compares with a forecast £15.25m. where the company was introduced to the Stock Exchange in November 1976.

The directors state that in view of the higher profit, they have decided to recommend a final dividend of 7.5p net per 25p share, against a forecast of 4.5p. This makes the total for the year 7.5p. Earnings were shown at 18.83p against 12.31p. Because of the reorganisation of the company's capital which occurred as a result of the introduction there is no comparable figure for the dividends for the previous year.

Income	1976	1975
Operating	34,087	25,283
Expenses	(17,864)	(17,288)
Leasing	13,624	8,116
From insurance company	314	126
Group profit	15,737	6,237
Share transfers	2,207	1,796
Share transfers	16,324	10,151
Share transfers	8,691	3,115
Net profit	7,633	3,066
Extraordinary debts	(788)	(43)
Minority interests	7,245	2,987
Preference dividends	83	86
Final	2,099	573
Interim Ordinary	485	382
Final	4,630	3,644
Retained	4,339	3,066
Group	432	590
Associates	432	590

**Blackwood Hodge (Canada)**

A turnaround from a profit of \$6.78m. to a loss of \$1.59m. is reported by Blackwood Hodge (Canada) for 1976. Turnover for the period fell from \$109.75m. to \$91.08m.

abroad, says Mr. Drexler, and prices were not increased on the scale at which spiralling costs could have warranted. The results therefore reflected the streamlining and slimming down of the operation which, coupled with increased efficiency and productivity all round, was beginning to bear fruit.

**comment**

The recovery at Ofrex is taking slightly longer to complete than was hoped. There have been further redundancies this year and the engineering company continues to make losses. Nevertheless, there has been real progress. Against the very depressed second half of 1976, profits in the six months to last December rose 47 per cent, and the turnaround to a small profit in the States reduced the tax burden to the advantage of net earnings. This year France should also make a small first-time contribution. At home, Rexel's recovery is the significant factor; together with Industrial Fasteners (which has continued to advance), it again forms the backbone of the company. This year the export order book has started off well and, though home stocks are still high, the only real weakness is on the engineering side. However, at 63p the share gives a p/e of 7.3 which probably fully reflects the prospects. The yield is 7.7 per cent.

**Clayton Dewandre lower**

AFTER LITTLE change at half-way with £1.59m. against £1.57m., pre-tax profit of vehicle equipment manufacturer Clayton Dewandre Holdings for 1976 slipped from £2.8m. to £2.57m. Sales, excluding associated companies, were higher at \$40.5m. against \$36.2m. The profit included a 50 per cent increase of \$196,306 compared with \$132,698. Stated earnings are down from 10.2p to 8.6p per 25p share, and the dividend total is 5.976p against 5.34p (adjusted) with a final of 4.076p.

**comment**

Sagging demand for commercial vehicle components beset Clayton Dewandre throughout 1976, and a 21 per cent drop in second-half profits has left the annual production level 8 per cent lower. The whole commercial vehicles sector was depressed during 1976, with production for the home market slipping by 9 per cent. The export markets held up rather better but this is an area where the group still seems to be lagging behind its competitors. In 1975 its exports represented only 11 per cent of total sales and it apparently fell below that last year. Commercial vehicle production is improving in the current year. In February output for the U.K. and export markets combined was up 8 per cent, and the group is now enjoying better conditions, though increasing costs are keeping margins under pressure. The shares at 79p are on a yield of 12.3 per cent, and a p/e of 7.8.

**Ofrex up 28% to £2.19m.**

ANNOUNCING a 28 per cent advance from £1.71m. to £2.19m. in pre-tax profit for 1976, Mr. George Drexler, chairman of Ofrex Group, reports a buoyant start to 1977 and forecasts a further strong improvement.

The first two months of 1977, he adds, are the most promising that the group has recorded for several years. Virtually all companies have achieved record figures.

At the interim stage, pre-tax profit was up by 18 per cent, from £1.02m. to £1.2m.

Turnover for the year rose by 13 per cent, from £21.1m. to £24.9m. After tax up from £0.9m. to £1.08m., earnings increased from £0.81m. to £1.1m. equivalent to earnings per 20p share of 3.67p (2.86p).

A final dividend of 2.01p raises the net total from 2.88p to 3.16p. There was strong competition for the group both at home and

## DIVIDENDS ANNOUNCED

Company	Current payment	Date	Corre. of spending div.	Total for year	Total last year
Barratt	2.4	May 27	1.83	4.23	6.58
Black & Edgington	14.5	May 27	2.9	17.4	23.3
Brent Chemicals	1.587	May 27	1.18	2.767	4.43
Clayton Dewandre	4.08	June 8	4.01	8.09	13.8
Duray Bitumastic	0.31	May 16	0.88	1.19	1.38
James Fisher	1.25	May 31	1.3	2.55	2.48
Freemans	3.12	May 23	2.84	5.96	4.84
Moran Tea Holdings	5	July 1	3	8	9
A. & J. Mucklow	3	July 1	1.83	4.83	5.06
Ofrex Group	2.01	May 20	0.24	2.25	3.08
Paterson Zochonis	0.92	May 2	0.59	1.51	2.42
Pifco	0.76	May 9	0.52	1.28	0.94
H. & J. Quick	0.32	July 12	4.85	5.17	8.44
Reckitt & Colman	5	May 27	7.5	12.5	15
Willis Faber	7.5	May 24	3.67	11.17	6.62
Wolstenholme	4.06	May 24	3.67	7.73	6.62

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues.

**Record £1.59m. profit by Brent Chemicals**

After being up from £0.53m. to £0.58m. in February, net-tax profit of Brent Chemicals International improved from £1.06m. to a record £1.59m. for 1976.

The results include three months contribution from Savilles Hydrological Corporation, acquired from October 1, 1976.

Due to tight control of working capital and the Rights issue in April, 1976, there was a strong improvement in liquidity during the year, it is stated.

Mr. J. S. Jones, the chairman, reports that, with one exception, all the units achieved strong sales growth in the early part of 1977, and management accounts show sales and profitability significantly higher than in 1976. The state of the U.K. economy and the possibility of unrest over the next phase of the incomes policy in the U.K. industries served by the group give cause for concern.

Emphasis is being maintained on applied research and development to meet the increasingly stringent performance standards of technologically-based industries. He remains confident that the group's ability to continue enlarging its position in these important markets.

On increased capital stated earnings for 1976 are 12.1p, compared with 8.7p—dividend total is equivalent to 2.26p (1.95p) 3.1 per cent. Another rights issue representing an increase of 10 per cent above the forecast made at the time of the rights issue.

The directors believe the increase to be substantially less than is equitable bearing in mind the impact of SIC on the group's long-term earnings and dividend cover. They are also conscious of the low yield on the company's

shares which largely results from dividend control. The 1976 rights issue had the effect of improving the yield, but the merger with SHC and the general strengthening of the company's share price have eroded much of the benefit. They will continue to pay attention to this problem in 1977.

1976	1975
Sales	2,220
Operating profit	1,623
Interest	82
Profit before tax	1,705
Taxation	136
Net profit	1,569
Extraordinary credits	75
Appropriable	1,644
Dividend	151
Retained	1,493

**comment**

The rapid progress since 1970 at Brent Chemicals was continued in 1976 with a 39 per cent rise in earnings per share. Moreover, the company seems a long way off an "ex-growth" tag because of the market for surface technology outside the U.S. has only been scratched so far. The shares at 119p do not reflect the continued potential with the p/e of 8.7 closer to the chemical sector average; whereas in America, where the specialty chemical business is better known and understood, such companies are at a premium of 30 per cent or more. On the other hand, the nominal level of dividend payments yielding only 2.26 per cent. Another rights issue to jack it up would not make sense since the net borrowings are zero and unusually far exceeding.

£2.1m. to £3.0m. and earnings per stock unit from 2.98p to 3.72p. Meeting, Edinburgh, on April 29.

**James Fisher tops £1m.**

TURNOVER OF shipowners and able even though the dividend yields on foreign equities, especially after tax and the currency premium where applicable, are appreciably lower than U.K. equity yields.

As already known, revenue before tax for the year to January 31, 1977, advanced from £5.42m. to £6.42m. in 1976 and profit was record £3.81m. compared with £2.83m. subject to tax of £0.27m., against £0.15m.

Profit was after interest charges of £0.36m. (£0.29m.).

In the first half turnover was £16.61m. (£11.78m.) and profit £0.36m. (£0.12m.).

For the year stated earnings were 6.22p against 4.58p and the final dividend is 0.523p net for a total of 1.022p (0.954p), as forecast.

## ISSUE NEWS

### London listing for Xonics

Xonics Incorporated, a U.S.-based developer of low radiation X-ray, has arranged a London listing for its 2,220,000 shares of £0.10. The stock which is quoted on the American stock exchange will be quoted in London as from 28-day Xonics and PBW stock exchange. Dealings are expected to start in London at around £1.30.

The group's net income level has moved from a deficit of \$1.7m. in 1972-73 to a credit of \$1.86m. in 1976-77. For 1976-77 the group is forecasting earnings per share of between \$1.35 to \$1.90, against \$1.10 after extraordinary credits in the previous year. Half-yearly through 1976-77 the group entered the dividend lists for the first time with a payment of 21 cents. In 1976 the group is expected to continue the policy of quarterly payments. On an annualised basis a yield of 3.8 per cent is offered against the American price of 0.49 per cent on a London price.

The listing was a brokers' Seymour Plesch & Co. See also page 10.

### Black & Edgington 3 surge to £1.8m.

FOR 1976 pre-tax profit of Black & Edgington, the camping, caravan and workwear group, advanced 34 per cent to £1.8m. The directors report that all major areas of the group contributed to the improvement. Turnover at £26.2m. shows an increase of 57.5m. with exports expanding more than threefold from £1.2m. to £3.8m.

The group recently announced the acquisition for approximately £2m. of A-Line Caravans of Hull, which has an outstanding growth record and is forecasting profits of over £725,000 for the first year. This was the first major acquisition since the £1.1m. rights issue last September.

As announced at the time of the rights issue, the final dividend is 4.5p net, making a total for the year of 8p (£6.625p).

**comment**

The constant stream of acquisitions and capital changes and Edgington's underlying trends, but that good progress was made. Demand for campers has been held up by heavy tents, troubled turnover. However, on these exports, more than for domestic, may go some way towards explaining the reduction in the second half, the 34 per cent pre-tax is as good a success as Greenfield which had the average less in the fourth quarter of London. The group should see another advance helped by the of A-Line Caravans recent rights issue which is estimated to pay the shares at 17p the per cent.

### Pifco expands midway

ELECTRICAL APPLIANCE manufacturer Pifco Holdings reports a 201,000 increase in pre-tax profit to £262,500 for the six months to October 31, 1976. Mr. Alfred D. Webber, the chairman, says that sales, both domestic and export, are a satisfactory increase.

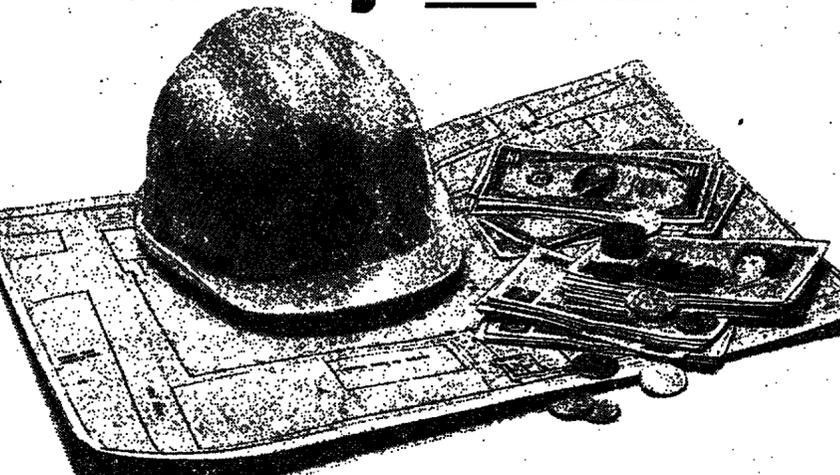
The interim dividend is stepped up from 0.83p to 0.78p net per 20p share, absorbing £28,100 against £24,650. The total last year was 2.416p from profits of £1.4m.

The half-year profit was struck after investment income of £106,900 (£96,400). Tax took £25,500 (£20,200) leaving net profit of £28,900 (£26,200).

**Talbex**

On turnover ahead at £3.02m.

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## H. & J. Quick nearly doubles

PASSENGER AND commercial vehicle dealers, H. & J. Quick Group, improved its turnover from £24.15m. to £32.57m. during 1976 and profit was record £3.81m. compared with £2.83m. subject to tax of £0.27m., against £0.15m.

Profit was after interest charges of £0.36m. (£0.29m.).

In the first half turnover was £16.61m. (£11.78m.) and profit £0.36m. (£0.12m.).

For the year stated earnings were 6.22p against 4.58p and the final dividend is 0.523p net for a total of 1.022p (0.954p), as forecast.

## Outlook at Edinburgh & Dundee

Mr. Hugh McMichael, chairman of Edinburgh and Dundee Investment Company says in his annual statement that present estimates suggest that there is no major change in investment policy, earnings per share for the current year will show a modest increase. If, however, it appeared appropriate for policy reasons to move money from high-yielding Government securities or deposits into U.K. or foreign equities, the earnings outlook would become less favourable. Subject to wholly unforeseen circumstances, however, it is intended that the current rate of dividend of 3.50p per share should at least be maintained, and that the interim dividend should be increased from 1.20p to 1.50p per share to reduce the disparity between the interim and final payments.

He states that it is difficult to be enthusiastic about the outlook for U.K. Ordinary shares. In the U.S. economic recovery, which had been proceeding at a modest pace, may suffer a temporary setback because of the spell of unusually bad weather, and fears have been expressed that the economic policies of the new administration may prove to be inflationary.

Nevertheless, having regard to the inherent strength of the American economy and the great diversity and liquidity of the American stock market, in which good stocks do not appear to be over-valued, the investment in U.S. appears at present to be the most attractive country for equity investment. At the year-end 94 per cent of the company's assets was invested in U.S. common stocks (the total proportion in foreign equities being 40 per cent) compared with 20 per cent. In U.K. Ordinary shares. This distribution is considered desirable.

## The Chairman, Mr. Julian Faber, comments:

The profit before taxation of £16.32 million compares with £15.25 million forecast at the time of the Introduction of the Company's shares to The Stock Exchange. In view of this higher profit the Board has decided to recommend the payment of a final dividend of 5p per share instead of 4.5p indicated at that time.

In 1976 the insurance broking subsidiaries of the Company handled gross premiums of approximately £650 million compared with an equivalent figure of £520 million in 1975.

The increased profit is largely due to the inflow of additional business to London, appreciation of foreign currencies and substantially improved results from associated companies.



## Willis Faber Limited

54 Leadenhall Street, London EC3P 3AX



MINING NEWS

Mr. MacGregor wears a ring of confidence

BY KENNETH MARSTON, MINING EDITOR

AS ELECTRICITY generation utilities "catch up on almost four years of doing nothing" copper prices will continue to recover and will top \$1 per pound (the current free market price is 70 cents) before the end of 1980. This forecast was given by Mr. Ian MacGregor, chairman of Amax, to our Perth Correspondent in an interview on Sunday.

sources of energy and minerals and an increasing question about the supply of new investment capital.

Mineworkers' shorter week

THE commission of inquiry into the possible introduction of a five-day working week in the South African mining industry favours the union suggestion of a five-day week, but not one confined to Monday to Friday only. In its interim report to Parliament the commission recommends that the compromise 11-shift fortnight, which is to be introduced next month, be extended to at least a year instead of six months as agreed. The consequences of a five-day week at this stage are considered to be too expensive.

ROUND-UP

Responding to the desire of Boeing to be involved in the consortium buying Peabody Coal from Kennecott Copper, an amended plan has been submitted to the Federal Trade Commission. The new plan, which changes the percentage holdings in the consortium, shows that Newmont Mining and Williams will each have 27.5 per cent. Bechtel and Boeing will each have 15 per cent. Fluor will have 10

Backward march

AUSTRALIA'S opposition spokesman on minerals and energy, Mr. Paul Keating, has said that a future Australian Labor government would reduce tax deductions on allowable capital expenditure on assets used to develop a mine or a field. He told a seminar organised by the Australian Mining Industry Council that a future Labor administration—the next General Election is due in 1978—would allow deductions on only 10 per cent of the value of a mine or a field's life. The present 20 per cent basis is over-generous in his view. Mr. Keating reckoned that it provides an unwarranted discrimination in favour of the extractive industries. He added that Labor opposed artificially promoted mineral development. The last statement hardly comes as a surprise in following the miners' record of the past Labor administration. Meanwhile, the present Liberal-Conservative coalition government has abandoned its 16-month-old aircon floor price scheme because of "consistent undercutting by overseas producers." Australia supplies about 80 per cent of the world market for zircon. The Minister for National Resources, Mr. Douglas Anthony, warned the producers that price trends would be closely monitored and the Government would step in "to protect the national interest" if they fell too far. The market for zircon shows no sign so far of recovering from the depressed state into which it has fallen following the buoyant conditions of 1974.

Canadian Golds in costs battle

IN AN attempt to reduce the effects of last year's low bullion prices, Canadian gold mines have been trimming costs and mining higher grades. Official statistics show that the average price received for Canadian gold last year was \$123.25 an ounce.

Rit Pamour, Pamour Mines, which is 49 per cent owned by Noranda, found that its average cost for each ounce of gold produced was \$148.28. Although this cost had been reduced to \$118.31 by December 1976, Pamour still recorded what our Toronto correspondent reports as being the largest loss ever made by a Canadian gold mining company.

The loss last year was \$6.2m. (\$3.4m) against a loss of \$2.1m. in 1975 and a record profit of 1974 of \$4.5m. Exploration of outside properties was stopped. Development work at the north east Ontario mines was reduced and proven reserves declined. The Pamour president, Mr. Donald Schmitt, said that it should be possible for operations to continue with bullion prices between \$140 and \$150, but the profit margin is precarious. Yesterday the closing price was \$149 1/2 an ounce.

At Giant Yellowknife Mines of the Falconbridge group, there is a similar picture. Operating costs last year rose to \$12.12m. last year after \$13m. in 1975 and production was pushed up, in spite of a slightly lower grade. But there was still a net loss of \$180,127 against a profit of \$303,337 in 1975. One interesting dividend of 10 cents was paid. Mining in lower grade areas of the Kerr Addison Mine at Virginiatown, Ontario was stopped in the summer and the work force reduced. Net income from the group, which is part of the Noranda organisation was \$6.5m. (\$2.7m.) last year compared with \$9m. in 1975.

Kerr Addison has paid dividends for 37 years and last year maintained its payments at 50 cents. In the second half of this year it expects to reap the benefit of investment in Agnew Lake Mines, a uranium venture which is scheduled for production in the second quarter.

The uranium potential of the South African producer, Randfontein, has attracted the attention of ASA, the Johannesburg vehicle for U.S. investment in South African shares. Its latest three-monthly report shows that its holding of Randfontein has more than doubled to 17,200 shares.

ASA also built up its stakes in Tavistock Collieries and Trans-Natal Coal. At the end of February the market value of its assets was equivalent to R15,222 (£10.19) a share, against R17.73 at the end of November, 1976.

Inveresk growth under review

Total overhead facilities at early date to consider these investments in conjunction with additional and are considered to be adequate for foreseeable requirements, state the directors in their annual report to the Preference Shareholders.

They reveal that a number of further expansion plans, including possible increased use of the indigenous raw materials, are currently under review in the paper and board division.

At Vernons Packaging plans for further developing the scope and scale of operations are also under active review. They expect a gradual recovery in demand and profit during 1977 at Inveresk Stationery.

They confirm their earlier report that the improving trend of the last quarter of 1976 continued in the first two months of the current year. The company is well placed to take full advantage of further increases in demand in its U.K. and overseas markets.

As reported March 9, pre-tax profit for 1976 increased from £1.7m. to £1.5m. The results include Leopard and Smiths (Holdings) from the acquisition date on August 5, 1976.

Under the proposed CCA convention the cost of sales increase in relation to the value of stock consumed would be £0.65m. The current purchasing gain from the depreciation value of net assets is estimated to be £0.75m.

Meeting, Connaught Rooms, W.C., April 22, noon.

MACKINNON OF SCOTLAND

At the Extraordinary Meeting of Mackinnon of Scotland and of the Preference Shareholders it was agreed that the two resolutions of which notice had been given should not be put to the meetings, but that further meetings should be convened at an

Steady second half at Dufay

A STEADY £340,000, compared with £245,000 in the second half gave Dufay Dismastic a pre-tax profit of £0.71m. for 1976 against £1.07m. At half-time, announcing a fall from £255,000 to £268,000, the directors said that they hoped to be reporting a better level of profit in the second half.

Stated earnings were 4.4p (5.1p). The dividend total is raised from 1.575p to 1.5125p with a reduced final of 0.8125p (0.875p) net per 10p share. The directors state that they expect at least to maintain the rate of dividend for the current year.

The subsidiary Dufay Titanium reports pre-tax profit down from £356,000 to £278,000 from 1976. Tax took £136,000 (£138,000), and there was an extraordinary credit of £52,000 (nil). Comparisons have been restated. There was no dividend.

Statement Page 27.

Demand remains firm at Rolls-Royce

MR. I. J. FRASER, chairman of Rolls-Royce Motors Holdings, tells members in his annual statement that the introduction of Silver Shadow II during February has caused a delay in the car programme. Demand for cars remains firm in all the main markets. The current unrest in the motor industry must put some of the company's material supplies at risk. Assuming reasonable industrial relations for the rest of the year, the Board expects that by the end of the year car output will be close on target.

A geographical analysis of turnover (S.M. omitted) shows: U.K. \$3,548 (44.06%); North America \$3,388 (71.31%); Continental Europe \$1,199 (49.24%); Africa and Middle East \$212 (4.74%); Asia \$741 (2.54%); South America \$88 (2.54%); Australasia and other overseas territories \$236 (1.78%).

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on March 28, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates (b/s) and the average of buying and selling rates (s/b) in some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the U.K. and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer. Abbreviations: (S) member of the sterling area other than Scheduled Territory; (K) Scheduled Territory; (O) official rate; (F) free rate; (T) tourist rate; (N.C.) non-commercial rate; (U.A.) not available; (A) approximate rate; no direct quotation available; (S) selling rate; (B) buying rate; (N.M.) nominal; (E/C) U.S. dollar parities and going sterling dollar rate; (B/K) bankers' rate; (B/S) basic rate; (C/M) commercial rate; (C/V) convertible rate; (C/F) financial rate.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the table below are not in all cases closing rates on the dates shown.

Table with 4 columns: Place and Local Unit, Value of \$ Sterling, Place and Local Unit, Value of \$ Sterling, Place and Local Unit, Value of \$ Sterling. Lists various countries and their exchange rates.

MONEY MARKET Moderate assistance

Bank of England Minimum Lending Rate 10 1/2 per cent. (since March 18, 1977) Day-to-day credit was in short supply in the London money market yesterday, and the authorities gave moderate assistance by lending to five or six discount houses overnight at Bank of England Minimum Lending Rate of 10 1/2 per cent. Banks carried forward surplus

balances from Friday, and Government disbursements exceeded revenue payments to the Exchequer. On the other hand there was a net market take-up of Treasury bills, and repayment was made of official advances made to the market on Friday. Discount houses paid 10 1/4 per cent. for secured call loans in the early part, and closing balances were taken at around 10 per cent.

In the interbank market overnight loans opened at 10 1/4 per cent. and eased to 9 1/2 per cent. before closing at 10 1/4 per cent. Short-term fixed period interest rates were generally easier. Interbank rates tended to decline at the close, and discount houses buying rates for Treasury bills were also easier.

Table with 10 columns: Mar. 28 1977, Sterling Certificates of deposits, Interbank, Local Authority deposits, Local Authority negotiable bonds, Finance House Deposits, Company deposits, Discount market, Treasury bills, Eligible Bank Bills, Fine trade Bills. Lists various financial instruments and their rates.

Local authority and finance houses seven days' notice, others seven days' fixed. \* Longer-term local authority mortgage rates normally three years 12-14 per cent.; four years 12-15 per cent.; five years 12-13 per cent.; six years 12-14 per cent. Bank bill rate 11-10 1/2 per cent. Approximate selling rate for one-month Treasury bills 9 1/4-9 1/2 per cent.; two-month 9 1/4-9 1/2 per cent.; and three-month 9 1/4 per cent. Approximate one-month trade bills 10 1/2 per cent.; two-month 10 1/4-10 1/2 per cent.; and three-month 10 1/4 per cent. Finance House Base Rate (published by the Finance Houses Association) 13 per cent. from March 1, 1977. Clearing Bank Deposit Rates for small sums of seven days' notice 6 1/2 per cent. Clearing Bank Base Rates for lending 10 1/2 per cent. Treasury bill average tender rates of discount 9.5313 per cent.

freemans Mail Order Preliminary results for the year ended 29 January 1977. Table showing Turnover and Profit before tax for years 1973-1977. Turnover: 1973 £67m, 1974 £83m, 1975 £105m, 1976 (53 weeks) £137m, 1977 £141m. Profit before tax: 1973 £6.6m, 1974 £7.6m, 1975 £7.0m, 1976 £8.2m, 1977 £10.3m. Includes Freeman's logo and contact information.

J. & H. B. JACKS LTD. CONTINUED PROGRESS. The Annual General Meeting of J. & H. B. Jacks was held on March 28 in Coventry. Mr. F. J. White and Managing Director presiding. The following is the Chairman's circulated statement: The trading profit for the year ended 30th Sep was £1,910,232 (1976: £1,681,424); also a profit was made of quoted investments of £24,050 (1976: £50,150) and subject to interest on the 7 1/2% Loan Stock (£197,539,981) and Corporation Tax of £313,264 (1976: £52,682). The Directors are recommending a dividend of 0.24375p per share net making a total of 0.8125p (1976: 0.46167p), being the maximum permitted by the Articles of Association.

Sale Tilne Record profit for 3 rights issue proposed. Results for year to 30 November 1976: £200 Net profit before tax, £410 Total shareholders' funds, 32.0p Earnings per ordinary share, 23.3p Net assets per ordinary share. Dividend: Payment of a final dividend of 2.46375p per share being recommended, making a total dividend of 4.73375p per share (1976—4.32p per share). Rights issue: A 1 for 3 rights issue of ordinary shares at 110p is proposed. Treasury permission has been given. Future Prospects: It is too early for any profit forecast to be made.

Barratt Developments Limited INTERIM STATEMENT NATIONWIDE EXPANSION CONTINUES. Despite the severe economic climate currently afflicting the house building industry, the Barratt Group is increasing its output in the number of houses built and its half year to 31st December 1976 over the corresponding last year, making a total of 8,000 for the full year. This is the fourth consecutive year in which this expansion has been achieved. Margins have improved under pressure with cost inflation and the incomes per taking their toll. The following are the unaudited results of the Group for the half year ended 31st December, 1976.

AND DEALS

Northwick plan to resolve FMC dispute

which could resolve the control of FMC, the UK most company, will be resolved by the FMC Trust, which holds 71.4 per cent of FMC, and Thomas Bullen, chairman of Northwick is to offer the Farmers' Union a deal which would give it about a 20 per cent stake, with Board representation, through which it would have under the existing bid.

WHITEHOUSE/MIDLAND NORTHERN TRUST

The directors of George Whitehouse (Engineering) and their advisers Deloitte and Company, are unable to recommend any particular course of action to shareholders in the light of the £250,000 bid from Midland Northern Trust which together with associates has a 30.8 per cent holding.

The Board itself will not accept and in addition, Mr. Norman Whitehouse, former joint chief executive of Whitehouse, who has been paid £30,000 compensation for loss of office, does not consider the offer to be a fair one. It was the sale by Mr. Whitehouse and his wife of a 26.3 per cent stake in Whitehouse at 71p a share in February that provided the springboard for MNT and its associates, which previously held 24.3 per cent, to assume control and launch a similar cash bid for the remaining shares.

Among the factors which should affect the decision of shareholders, according to Deloitte's view, the board says that it is too early to make a profit forecast for the current year ending June 30; Whitehouse shares have been quoted at 10p since September 1976; net asset value at July 3, 1976 was 23p; it may not be feasible to maintain the listing for Whitehouse shares despite the stated intention of MNT to endeavour to do so.

TRAILER

effectively control and increasingly diversified services. York company is effecting a restructure. It will name to York Trailer and an operating unit will be established. Responsibilities of senior executive directors set accordingly.

EAVER

by CII Industrials sole of the capital of up not already owned unconditional.

FAGS/DELTEC AND LET

Deltec Trust and LET investments now hold 48.28 per cent of the Ordinary (representing 45.88 per cent of the votes) and 54.31 per cent of the Preference shares and shares.

MAURICE JAMES

Maurice James, currently the object of a bid from York Trust for the 27 per cent net already owned by Mr. James, has sold its 25.3 per cent holding in Colmore Investments to T. Cowie, the motor vehicle dealers and credit finance group, for £181,000.

CCH INVESTMENTS

A resolution requiring the shareholders of CCH Investments to approve the sale of the company's 30 per cent stake in Gold Case Travel for a £445,880 consideration to J. Lyons was unexpectedly withdrawn at yesterday's extraordinary general meeting.

Mr. Gordon Currie, the CCH chairman, announced that an approach had been received in the morning's past from a third party.

CU/EHIT DETAILS

The official document containing details of Commercial Union's offer for Estates House Investment Trust, the group that was formed out of the 19 companies that once represented the interests of Sir Denys Lawson, has been sent out to shareholders.

CARIOL & TYNESIDE MAY MERGE

Carlton Investment Trust and Tyneside Investment Trust, two Newcastle-based trusts which share the same management, are considering a merger. If the proposal goes through, it will create one trust with net worth of approximately £27.2m.

LONRHO/DUNFORD & ELLIOTT

Lorrho announces that acceptance of its offer for Dunford and Elliott has been received from 1,971 shareholders in respect of 1,144,758 Ordinary shares comprising 75 per cent of the offer.

MORAN GROUP

Christopher Moran Group is acquiring Redgrove and Everington, underwriting agents at Lloyd's, for £245,000 of which £132,300 cash, £87,300 satisfied by 745,820 Ordinary shares of completion and £115,000 cash 12 months after completion.

BCA/NATIONWIDE

British Car Auctions, which currently owns or has received acceptances for 42.4 per cent of Nationwide Leasing, following a 2.5 per cent withdrawal last week, is inviting shareholders who have already accepted the offer to sell their Nationwide shares to BCA for cash.

Sketchley withdraws offer for Johnsons

Sketchley, whose take-over bid for rivals Johnson Group Cleaners passed automatically last week following its reference to the Monopolies Commission, has now decided to withdraw altogether. In a statement issued last night, Sketchley said that, irrespective of the outcome of a Monopolies report, "it is incompatible with the best interests of Sketchley to accept the period of uncertainty implicit in such an investigation."

The bid was strenuously opposed by the Board of Johnson which argued that such a merger would mean higher prices for the public and that the combined group would have over 39 per cent of the dry cleaning market compared with Sketchley's estimate of 23 per cent. Sketchley vigorously denied these suggestions.

STANDARD TRUST

The offers by British All Pension Fund for Standard Trust have lapsed. Acceptances were received in respect of 2,813,228 Ordinary (12.23 per cent), and 273,145 Preference stock (17.53 per cent). Prior to the offer BRPF owned no Ordinary or Preference shares and no shares were acquired during the offer period.

BAT/WALLIS

On Friday a wholly owned subsidiary of BAT Industries bought 351,000 F. J. Wallis shares at 63p. Total number held by members of BAT group is 18,767,464.

L.K. INDUSTRIAL

In a circular giving full details of the sale of Nico Manufacturing, the directors of LK Industrial say that accounts for 1976, which will be posted in May, are likely to show an improved result. Sales in all divisions are currently satisfactory.

NEW OFFSHOOT FOR SIMON FOOD

Simon Food Holdings has formed Simon Food Engineers to provide a general engineering and contracting service specifically for the food and agriculture industries.

GUINNESS HAS 66.83% OF WCB

Arthur Guinness, whose contested take-over offer for White Child and Boney closed last Friday, has ended up with a stake of 66.83 per cent in WCB. At the time the offer was made in January, Guinness had a holding of over 44 per cent—most of which was the legacy from an earlier bid to take control of the company in 1974.



Report on 92nd Annual General Meeting 28th March 1977.

Despite the adverse financial conditions prevailing throughout 1976, the Huddersfield & Bradford Building Society at their Annual General Meeting held on the 28th March, 1977, were able to announce an increase of £42 million in their assets, bringing the total figure to over £414 million and representing a growth of 11.3 per cent for the year.

General Reserve increased by almost £3 million to £15.3 million, representing a ratio of 3.69 per cent of total assets and liquid funds amounted to almost £79 million. At the end of the year the balances due to shareholders and depositors totalled more than £368 million and during the year the Society lent a record amount of £84 million to borrowing members.

Mr Geoffrey R. Turner, President of the Society, said that these were encouraging figures in the present economic climate and he thanked the executives and staff for their service throughout the year and expressed appreciation to the Society's agents, valuers, solicitors and bankers for their continued support.

**Huddersfield & Bradford Building Society**

Head Office: Permanent House, Westgate, Bradford BD1 2AU Tel: Bradford 34822 (STD 074).

Member of the Building Societies Association.

Authorised for investment by Trustees. Assets now exceed £470,000,000.

**Who just won a U.S. competition for a military helicopter with great potential for European sales?**

**Sale of FRUEHAUF**

Monopolies Commission and obtained permission from the State for Prices and Protection, to extend with the original five-allowed to examine the bid by the Fruehauf for Craze Fruehauf. It is explained that the delay is due to unexpected complexities of which have called for outside specialist.

Mr. Gordon Currie, the CCH chairman, announced that an approach had been received in the morning's past from a third party.

**Operating profit up 48.2% Earnings per share up 71.1%**

Sales increased by 31.1% to £484.25 million, while operating profit on these record sales rose by 48.2% to £51.43 million. Exchange differences for the year gave a benefit of £1.22 million compared with £0.71 million in 1975, and these are a factor in the percentage increase in earnings, which are shown below both before and after exchange differences. Earnings of the Group in 1976 were £28.11 million, an increase of 71.6%. In 1976 Reckitt & Colman made 77.0% of its sales overseas, and 82.1% of its operating profit from these sales. Exports from the United Kingdom were up by 41.4% to £27.14 million, and operating profit on these exports was £4.30 million. The company reduced further its total net borrowing by £1.26 million to £24.84 million.

This was achieved after applying £10.35 million to the acquisition of businesses, and £21.21 million in additions to fixed assets. A new pharmaceutical factory is due for completion in Hull by the end of 1977, and two new prescription products are being considered by the Committee on Safety of Medicines. A joint venture is being established in the USA to market these and other Reckitt & Colman pharmaceuticals. All areas of the world performed well, with outstanding progress in profit in Europe and Latin America, and good growth elsewhere, despite the poor economic climate in some important areas. Although in the UK operating profit on domestic sales showed a good recovery, profit margin was still below the average for the Group as a whole.

**Metalrax (Holdings) Limited**

An integrated network of 18 engineering companies in England and Wales

'Ten out of ten'

	1976	1975
Revenue	7,283,778	6,459,218
Profit before taxation	844,535	812,524
Profit after taxation	646,174	404,792

highlighted to report record group profits before taxation for the consecutive year, in an unbroken line from £224,103 for 1967 to £536 in 1976.

net assets

Out of the last ten years the profit before taxation as a percentage of assets employed has never fallen below 30%. If British industry could claim the same record the economic position of this would be very different.

recommending the maximum dividends permitted by law.

olders' funds

olders' funds now amount to £2,700,074, as opposed to £80 at the 31st December 1975.

recommending a scrip issue of one ordinary share for every

has a very satisfactory bank balance and ample funds are available for future expansion.

prospects

ence of any catastrophes the results for the first six months of financial year will undoubtedly be a record.

the report and accounts from:

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**OVERDUE ACCOUNTS**

service will produce an immediate improvement in your cash flow by the quick and effective recovery of your overdue accounts. All commission is charged only on the sums we collect—no collection, no charge. Payments are made direct to you—monies are banked by us.

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are supporting the burden of overdue debts, then contact:

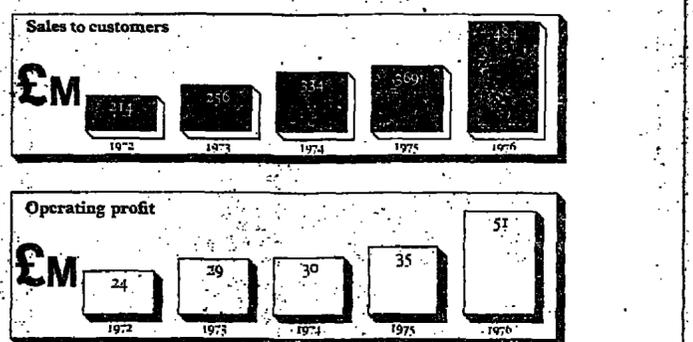
Martin  
RANADA CREDIT COLLECTION LTD,  
ranada House, Gabriels Hill,  
aidstone, Kent.

tel: Maidstone (0622) 575451.

	1976	1975	% increase 1976 over 1975
Sales to customers	484.25	369.26	31.1
Trading profit	54.97	39.42	
Interest payable less other income	3.54	4.71	
Operating profit	51.43	34.71	48.2
Exchange differences	4.22	0.71	
Profit before tax	55.65	35.42	57.1
Tax on profit	24.41	16.60	
Profit after tax	31.24	18.82	
Attributable to minority interests	2.97	2.28	
Preference dividends	28.27	16.54	
	0.16	0.16	
Earnings attributable to ordinary shareholders	28.11	16.38	71.6
Extraordinary items	1.02	(0.68)	
Profit available for distribution	29.13	15.70	
Ordinary dividends	5.82	5.23	
Added to reserves	23.31	10.47	
Earnings per share:			
before exchange differences	39.6p	26.2p	51.1
after exchange differences	46.2p	27.0p	71.1

Sales and operating profit 1975-76

	Sales				Operating Profit			
	1976	1975	% of total	% of total	1976	1975	% of total	% of total
United Kingdom	136.73	112.52	28.0	25.3	13.67	8.30	31.2	18.2
Manufacture export	27.14	19.20	6.9	4.3	4.30	1.83	13.4	9.5
UK domestic	111.59	93.32	23.0	21.3	9.37	6.47	27.9	18.2
Europe (excluding UK)	77.79	55.84	18.9	15.1	7.63	3.27	23.6	16.5
North America	82.49	28.5	20.0	7.7	8.26	5.27	26.7	16.5
Australia and Asia	99.86	72.57	24.6	19.7	12.84	6.50	39.5	28.6
Africa	43.06	35.68	10.5	9.7	7.94	6.88	24.5	19.6
Latin America	35.80	29.06	8.6	7.9	6.42	3.73	22.2	18.5
	484.25	369.26	100.0	100.0	52.47	35.62	100.0	100.0
Corporate interest & expenses					(1.04)	(0.91)		
					51.43	34.71		



The annual report and accounts will be posted to shareholders on Tuesday, 26 April 1977

**Reckitt & Colman**

Reckitt & Colman Limited, PO Box 26, Burlington Lane, London W4 2RW



# Allied Bank International

116 East 55th Street, New York, N. Y. 10022

## CONSOLIDATED STATEMENT OF CONDITION, December 31, 1974

ASSETS	
Cash and due from banks—demand	\$93,808,697
Due from banks—time	86,598,471
Investment securities at cost, which approximates market	1,584,298
Federal Funds sold	13,000,000
Total loans and discounts	553,918,989
Less participations	158,738,153
	395,180,836
Less reserve for possible loan losses	3,681,926
	391,498,910
Net loans and discounts	12,463,467
Customers' liability under acceptances	1,915,008
Bank premises, leasehold improvements, and furniture and fixtures	6,825,666
Accrued interest receivable	2,868,174
Other assets	5610,562,691
	5610,562,691

LIABILITIES AND STOCKHOLDERS' EQUITY	
Demand deposits in domestic offices	\$187,551,914
Time deposits in domestic offices	1,381,053
Deposits in overseas offices	342,882,586
	531,815,553
Total deposits	531,815,553
Borrowed funds	16,000,000
Acceptances outstanding	41,099,133
Less held in portfolio	28,635,666
	12,463,467
Accrued interest payable	4,531,367
Accrued taxes and other liabilities	2,804,860
Stockholders' equity:	
Capital stock, par value \$750 per share	27,000,000
Authorized 40,000 shares; issued 36,000 shares	9,525,540
Paid-in surplus	6,421,904
Retained earnings	42,947,444
Total stockholders' equity	46,994,888
	5610,562,691

### BOARD OF DIRECTORS

**Chairman of the Board**  
C. MALCOLM DAVIS

**Chairman**  
Fidelity Union Trust Company  
Newark, New Jersey

**Vice Chairman of the Board**  
W. WRIGHT HARRISON

**Chairman and Chief Executive Officer**  
Virginia National Bank  
Norfolk, Virginia

**Vice Chairman of the Board**  
J. W. McLEAN

**Chairman and Chief Executive Officer**  
The Liberty National Bank and Trust Company  
Oklahoma City, Oklahoma

**President and Chief Executive Officer**  
RICHARD A. MELVILLE

Allied Bank International  
New York, New York

**FRANK E. MCKINNEY, JR.**

**Chairman and Chief Executive Officer**  
American Fletcher National Bank and Trust Company  
Indianapolis, Indiana

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American Security Bank, N.A.  
Washington, D.C.

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Bank of the Southwest, N.A.  
Houston, Texas

### M. A. CANCELLIERE

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Equibank, N.A.  
Pittsburgh, Pennsylvania

### CHARLES M. HOLLAND, JR.

**Vice President**  
First Hawaiian Bank  
Honolulu, Hawaii

### PAUL W. MASON

**Chairman and Chief Executive Officer**  
The First National Bank of Fort Worth  
Fort Worth, Texas

### C. C. BARKSDALE

**Chairman and Chief Executive Officer**  
First National Bank  
St. Louis, Missouri

### CLARENCE G. FRAME

**President and Chief Executive Officer**  
The First National Bank of Saint Paul  
St. Paul, Minnesota

### CULLEN KEHOE

**President**  
First Tennessee Bank  
N. A. Memphis  
Memphis, Tennessee

### ROBERT L. NEWELL

**Chairman and President**  
Hartford National Bank and Trust Company  
Hartford, Connecticut

### EDWIN BARNES

**Chairman of the Executive Committee**  
Michigan National Bank  
Lansing, Michigan

### C. A. McNAIR

**President**  
Trust Company Bank  
Atlanta, Georgia

### JOHN D. HERSHNER

**Chairman and Chief Executive Officer**  
United Bank of Denver, N.A.  
Denver, Colorado

### T. S. PRIDEAUX

**Vice Chairman**  
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Portland, Oregon

### GILBERT F. BRADLEY

**Chairman and Chief Executive Officer**  
Valley National Bank of Arizona  
Phoenix, Arizona

An international banking network of branches, representative offices and subsidiaries, with more than 1,200 correspondents in 102 countries.

CHARTERED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON, D.C.

# INIL FINANCIAL AND COMPANY MEMBER

## Swire consolidates its property

BY OUR CITY STAFF

SWIRE PACIFIC'S subsidiary, Swire Properties, is planning to buy out the minority shareholders in its 50.8 per cent owned subsidiary Swire Cheung, the Hong Kong property group, and to seek a listing for its shares within the next three months.

The consolidation of the group's property interests into a single quoted company, to be achieved initially by an exchange of Swire Properties' shares for the 49.2 per cent of Swire Cheung not already owned, has been on the cards for some time.

Swire Properties was formed in 1972 as a vehicle for the development of the 4.4m square feet in Hong Kong's main water-side district which was surplus to the needs of companies within the Swire group. The scheme, initiated in 1974, is expected to take a further eight years and consists mainly of residential development.

Control of Swire Cheung was taken in December 1974. Apart from managing a small property portfolio and offering residential mortgages finance, Swire Cheung owns 25 per cent of Swire Sins, the company developing the Talkoo Dockyard in Hong Kong for Swire Properties.

The other major equity holder in the publicly quoted Swire Cheung is Tai Cheung Properties with about 30 per cent. Tai Cheung is an affiliate of Hutchinson International, the development group.

Observers in London estimate that the combined earnings of Swire Properties and Swire Cheung, following the merger, will be in the region of \$850m. The balance of the 50.8 per cent of Swire Cheung's earnings would imply a market capitalisation of some \$850m, and if 25 per cent of the new company were offered to the public a subscription of \$212.5m.

However, in 1974 Jones Lang Wootton placed a \$850m Swire portfolio which was been certain sales development work.

Swire Pacific, which holding company is and Sun the private party, owns 92 per cent of the remaining 8 per cent being held in Hambro.

Aside from the re-structure, Swire Properties has an office block in Kowloon and a \$1.5m in Berkeley Hambro U.S.

**LONDON**  
Branch Office  
6 Frederick's Place  
London EC2R 6DH  
England

**TOKYO**  
Representative Office  
Asahi-Tokai Building  
6-1, 2-Chome  
Otemachi, Chiyoda-ku  
Tokyo, Japan

**HONG KONG**  
Representative Office  
St. George's Building  
2 Ice House Street  
Hong Kong, B.C.C.

**NASSAU**  
Branch Office  
Charlotte House  
P.O. Box N-3944  
Shirley Street  
Nassau, Bahamas

**International Banking Subsidiaries**  
GUERNSEY  
NASSAU  
CURACAO

**NEW YORK**  
116 East 55th Street  
New York, N.Y. 10022

## New banking licences approved despite moratorium in UAE

BY KATHLEEN BISHTAWI

IN A SURPRISE move on Sunday morning, the United Arab Emirates Currency Board announced that it will allow two more banks to be established in the country. The new licences have been approved despite a two-year moratorium announced last May which disbanded any locally incorporated or foreign banks from setting up in the UAE. The moratorium, it was felt, is already overbanked, there being a bank branch for every 2,000 people.

The two new banks which are to be set up in Dubai are formed by groupings of prominent Dubai merchants, with foreign interests taking a small percentage. The applications had already been granted approval by the Ruler of Dubai, Sheikh Rashid, but full banking authority was given the go ahead on Sunday by the chairman of the UAE Currency Board, Sheikh Hamdan. As well as being the Board's chairman and UAE Finance Minister, Sheikh Hamdan is also the son of the Dubai ruler.

According to Currency Board officials, the issue of new licences does not require a full meeting of the Board's governing body.

Local observers of the UAE banking scene are already commenting that the new approvals will give an impetus to the many outstanding applications from local and foreign banks wishing to set up in the UAE. Two such similar applications have already been given approval by the Abu Dhabi Government and are awaiting final approval by the Board.

The 'central banking authority' will find itself hard pressed to maintain its two-year moratorium after the recent two licences for Dubai. Resisting applications from foreign banks may be an easier struggle for the Board than fighting powerful local influences.

The UAE banking community is already undergoing a period of consolidation, for a number of banks in the area have become involved in the property market and in lending long and borrowing short. Already, the Board is carefully monitoring the progress of a number of individual banks.

Thus the entry of two new banks will only aggravate the situation, particularly as one of them, the Union Bank of the Middle East, has a greater than normal capital base. The Union Bank also has a number of prominent merchants on its Board, which will inevitably exact from the smaller locally incorporated banks. The new bank has an authorised capital of \$100m (\$128m) and the capital issued and subscribed is \$150m, divided into 1,500,000 shares of \$100 each, 50 per cent of which is held by the 50 shareholders. The balance of the 50 shares will be called and payable during June 1977.

Major shareholders of the bank are Abdul Wahab Galadari who will be chairman, Abdulla Rostamani, and the Saudi Arab Finance Corporation, an association of important Saudi merchants, who will hold a 10 per cent interest in the new bank.

The other bank is to be established by members of the Al Ghurair family. Mr. Seif Al Ghurair the head of the family, is already chairman and owner of another leading bank in the area, the Bank of Oman. No further information was available on the new bank.

**DUBAI, March 28.**

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**Unchange dividend Commerz**

By Guy Lewis

FRANKFURT, (UPI) — Commerzbank AG, Germany's third largest bank, is reported to have unchanged 18 per cent dividend for 1974. The 19 per cent increase from DM1.18 to DM1.32 (25.25 to 28.25) was recommended by the group's supervisory board to the May 16 annual general meeting. Although the dividend at DM1.32 per share, remaining unchanged from the DM1.32 in 1973, the bank's 1974 net income rose to DM1.55 billion from DM1.45 billion in 1973. The dividend is up 18 per cent from 1973.

According to a statement, the bank will again raise its dividend to DM1.55 in 1975, while the recommendation to raise the dividend to DM1.55 in 1976 is also up 18 per cent from 1975.

As a result, the bank's own return to DM1.55 in 1975 is the highest for 10 years.

**Loss reduced at Alitalia**

ROME — Alitalia airline made an 80 per cent loss of 1,400 billion lire for 1974 because of the high lire exchange rate. The airline's operating loss was reduced to 400 billion lire from 1,400 billion lire in 1973.

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## Australian Companies

### First half upsurge at Fairfax

BY JAMES FORTH

JOHN FAIRFAX, newspaper, television and magazine group, contributed \$540,000 in dividends. Directors have lifted interim dividend from 4.5 cents a share to 5.5 cents indicating a higher payout for the year. In the last full year the total dividend was \$43.8m. to \$44.5m. on a 30 per cent increase in revenue to \$82m. after a 60 per cent jump in earnings.

The Fairfax result continues the trend of strong profit performance by media groups which have reported to date. Adelaide-based Advertiser Newspapers and Sydney-based Consolidated Press Holdings recently reported sharp profit boosts in the first half of 1974-77.

The Fairfax result would have been even better but for a 60-day strike of printing unions and some other production employees at the group's Sydney newspaper plant.

The strike failed to put the company's newspapers off the streets but directors said it caused a reduction in advertising revenue. The profit was also affected by the non-payment of dividends to the holders of Australian Newsprint Mills Holdings and Macquarie Broad-casting Holdings. In the previous year these investments

The Fairfax subsidiary, Associated Newspaper, which publishes the Sydney afternoon newspaper The Sun and has a one-third interest in the Sunday newspaper The Sun Herald, suffered a drop in earnings from \$476,000 to \$432,000, largely because of the strike.

**SYDNEY, March 28.**

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**Script issue p at Berendsen**

By Hilary Bismar

COPENHAGEN — Danish group which company to Rent one-for-five business company announced. Profit group dropped slightly to Kr 19.5m. while company's pre-tax rose from Kr 15.1m. The net was unchanged at Kr 15.1m. The statement said that it was that group earnings maintained in 50 per cent decline of sterling during 1974 because all sales shifted to increase in 1974. The group returned a result of 10 per cent better result.

## Polaroid Reactions to Kodak

BY KENNETH GOODING, RECENTLY IN CAMBRIDGE, MASS.

ONLY TIME will tell just how big an impact Kodak's entry to the instant photography market will have on Polaroid, until recently the only company in the field. But in the meantime there is one major question to be asked: what action is Polaroid taking to diversify its activities so that it can become less of a "one-product company"?

The answer, according to Dr. Richard Young, senior vice president of Polaroid and president of the international division, is that the company is looking at possible diversifications but that it has set itself very well-defined objectives.

can't divert too much attention away from our main stream of operations at a time like this," explains Dr. Young.

The struggle is now moving into Europe, with the Kodak launch of its instant cameras in Europe.

is suggested that Polaroid does deal with Kodak and licenses the other company to use Polaroid techniques. According to Dr. Young, this idea is raised at nearly every Polaroid Board meeting.

Meanwhile, the company seems determined as ever to press ahead as hard as possible with its court battle against Kodak over the claim that Polaroid's basic patent has been infringed. Contrary to the widely-held view that the court tussle is over, it has not really begun. Once Kodak launches into European markets outside the U.K., Polaroid could, if it felt the need, take its claims to court in every country in which the Kodak product appears.

U.K. in Dumbarton prisingly, Dr. Young has the attraction of a guinea which had decision for that in the Vale of Leven, the major interest in the Common Market. The Common Market takes place in Holland as its final decision about location was deferred U.K. government grants which were U.K. It took some time the full manufacture was at the Vale of Leven from the b 1977 the factory responsible for all of the Polara (it models). It also leases for Polaroid's Manufacturing of P mainly, it seems, because it is likely to get a decision more quickly here than anywhere else.

It does, of course, have a major every ten cameras manufacturing base in the U.K., the "instant" type—the future of which is very much in doubt with Polaroid's success in Europe is France, as in beating off the Kodak Germany and Italy.

Since 1974, the company has spent the equivalent of \$2m building up its plant at the Vale of Leven in Scotland. There are now about 1,200 employees. "We are very, very pleased with the people there and we have good local management," says Dr. Young.

The idea is that the Vale of Leven plant should supply cameras for nearly all of the Polaroid's international markets and is expected to be completed by the end of 1977. Dr. Young pointedly remarks: "We are only a quarter of the way to the U.K. and yet in scaling terms we export just as much from there as from Kodak."

Polaroid first set up in the argument of the war



Dr. Richard Young

**Technological leader**

"We have no intention of going into a market where other companies can do what we can do. We don't want to be a marketing dominated company. We want to remain a technological leader."

Dr. Young points out that Polaroid already has a very broad range of technological skills which had to be developed for the instant photography business. It had to build expertise in chemistry and physics, as well as in mechanical and electronic systems.

Because of the work it has done to perfect its instant cameras for example, the company can now claim to be the world leader in plastic optics technology as well as the first to produce very slim—in American terms "flat"—batteries.

"So there are some clear opportunities for us," declares Dr. Young. So far, however, Polaroid has taken a modest step and that involved marketing "fine" chemicals.

Ironically, the current attack being made on what traditionally has been Polaroid's market by Kodak has to some extent held up diversification plans. "We have very much in mind when it

to some extent P that it has plenty of photography. For has decided that in did not pay as well as it could have done professional market, on cyclical or seasonal.

Current marketing cameras for nearly all of the right and the Polaroid's international markets now tailoring some of specific applications.

Larger formats offered the profession developed by Polaroid first set up in the argument of the war

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the Court the Ex may be (stated) up

# Lloyds Bank Group now in Cairo.

Lloyds Bank International are pleased to announce the opening of their branch in Cairo.

The new branch provides a full range of banking services in foreign currencies and is responsible for the development of the international business of the Lloyds Bank Group in Egypt. In conjunction with our offices already established in Bahrain, Dubai and Tehran, this enables Lloyds Bank International to play an active role in the financial growth of the Middle East.

The Lloyds Bank Group already has branches and offices throughout Western Europe and Latin America in addition to a strong presence in the Pacific Basin and the United States.

Manager: G.H. Clayton, P.O. Box 218, 44 Mohamed Mazhar Street, Zamalek, Cairo. Telephone: 809046, 809531. Telex: 2344 Lloyds UN, Cairo.



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Lloyds Bank California, The National Bank of New Zealand.

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

Dresdner reports decline in operating profits

Operating profits declined, total had fallen back by about 10 per cent from 1976...

Profit of £1.8m. at Saudi Bank

SAUDI INTERNATIONAL BANK, the London-based consortium bank...

Creusot-Loire breaks even as 1976 profit falls

CREUSOT-LOIRE, the French Government's "chosen instrument" in the nuclear engineering field...

Swissair restores dividend level

AFTER increasing its net profit by 73.5 per cent to a record Sw.Frs.43.9m. last year, Swissair intends to revert to its former dividend level...

Hochtief changes sales mix overseas sales rise

West Germany's construction industry is the domestic market for Hochtief...

Ambitious plans at Xonics

XONICS INCORPORATED, the U.S. environmental monitoring group in the photographic field...

Quiet secondary market trading

THE HEAVY volume of new issues announced over the week-ender...

Preussag pays market price for Patino stake

A FIGURE of between DM48m and DM50m was today being set by informed sources as the cost of the 26 per cent stake in Patino N.V. acquired over the week-end by Preussag...

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

Table with columns for Bond Name, Bid, Offer, Bid, Offer. Includes entries like Australian 9 1/2% 1988, Canadian National 9 1/2% 1988, etc.

EUROBONDS

Quiet secondary market trading

THE HEAVY volume of new issues announced over the week-ender...

overseas turnover is home market sales. turnover went up by 25 per cent...

Who has increased sales by 155 per cent over the last 5 years?

Advertisement text for Xonics Incorporated, mentioning sales growth and company information.

This advertisement is issued in compliance with the requirements of the Council of the Stock Exchange...

XONICS INCORPORATED advertisement including logo, company name, and contact information for Seymour, Pierce & Co.

KUBOTA, LTD. advertisement featuring a large image of a tractor, company details, and a list of international agents.

Decline continues on inflation fears

Gold lower

BY OUR WALL STREET CORRESPONDENT

THE RECENT decline continued on Wall Street today when pre-occupations with inflation and higher interest rates amid price increases in various commodities...

Inco, which raised copper wire prices, eased \$1 to \$30, and General Mills eased despite raising its dividend...

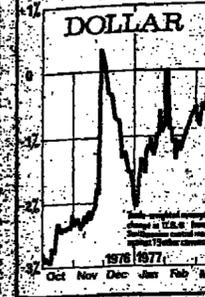
Capital Resources proposed offering of 33 cents a share for 51 per cent of the company. PARIS - Generally higher...

Dutch Industrials were better following its dividend increase plus a stock dividend. Otherwise, all other sectors lost ground...

Oslo - Industrials, Insurances and Shippings were quiet, while Bankings were easier. Vienna - Quietly steady...

HONG KONG - Practically lower in restless trading. Hong Kong shares were down 5 cents to HK\$55.50...

STERLING - Sterling gained 10 points against the U.S. dollar to close at \$1.7125-\$1.7120...



Closing prices and market reports were not available for this edition. are the main factors weighing on investors' minds...

THE AMERICAN SE Market Value Index was up 0.03 at 112.01. Actively traded Stange rose \$1 to \$64 while Coleman, the volume leader, were down \$1 at \$168...

Electricals, Banks and Constructions were firm, Steels and Oils also gained ground. Crenset-Loire rose Fr.25 to \$4.5 on its unchanged dividend for 1970...

SWITZERLAND - Losses were slightly in the majority. Swissair's share up Fr.65 at 688, reached a new two-year high in Transports, however...

AMSTERDAM - Narrowly mixed in slow trading. Bank and insurance shares lost ground, while Transportations were narrowly mixed. KLM shed Frs.1.30 to Frs.52.50...

OTHER MARKETS

Canada again lower

All sectors lost ground in light trading on Canadian Stock Markets yesterday morning. The Metals and Minerals Index fell 14.3 to 1,132.9...

BRUSSELS - Broadly lower in active trading

Stocks finished mixed, Non-Ferrous Metals were lower, Utilities and Oils were narrowly mixed. Chemicals reduced, while Holdings declined...

TOKYO - Prices eased moderately

the market undertone was fairly strong. Volume 140m. shares. Export-Oriented shares, including Electricals and Motors, lost ground...

EUROPEAN CROSS-RATES

Table showing exchange rates for various European currencies including the British Pound, Swiss Franc, and German Mark against the US Dollar.

EURO-CURRENCY INTEREST RATES

Table showing interest rates for various Euro-currency deposits and loans, including London, Amsterdam, and Zurich.

FORWARD RATES

Table showing forward exchange rates for various currencies, including the US Dollar, British Pound, and Swiss Franc.

Indices

NEW YORK - DOW JONES

Table showing Dow Jones Industrial Average and other market indices for New York, including S&P 500 and NYSE Composite.

MONTREAL

Table showing Montreal stock market indices, including the Montreal Stock Exchange and various sector indices.

TORONTO

Table showing Toronto stock market indices, including the Toronto Stock Exchange and various sector indices.

JOHANNESBURG

Table showing Johannesburg stock market indices, including the Johannesburg Stock Exchange and various sector indices.

OSLO

Table showing Oslo stock market indices, including the Oslo Stock Exchange and various sector indices.

AMSTERDAM

Table showing Amsterdam stock market indices, including the Amsterdam Stock Exchange and various sector indices.

BRUSSELS

Table showing Brussels stock market indices, including the Brussels Stock Exchange and various sector indices.

TOKYO

Table showing Tokyo stock market indices, including the Tokyo Stock Exchange and various sector indices.

STANDARDS AND POORS

Table showing Standard and Poors indices, including the S&P 500 and various sector indices.

INDICES

Table showing various market indices, including the Dow Jones, S&P 500, and other regional indices.

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OVERSEAS SHARE INFORMATION

NEW YORK

Large table listing various New York stock market listings, including company names, prices, and changes.

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Handwritten text and signatures at the bottom of the page, including 'M. J. ...' and 'D. ...'.



What's up with cocoa? The likelihood that prices will fall sharply in 2nd and 3rd quarters of the year...

COMMODITY ANALYSIS LIMITED
194-200 Bishopsgate, London EC2M 4PE
01-283 2201 Dealers: 01-283 4801

ARMING AND RAW MATERIALS

Colombo, March 28. C.A. has taken advantage of a boom in demand for tea...

zinc to sell beans had again
JANEIRO, March 28. AS OF the foreign trade of the Bank of CACEX...

Decline in cocoa market continues
COCOA PRICES on the London terminal market continued last week's fall in early dealings...

All-round fall in metals

BASE METAL markets were hit yesterday by a wave of selling continuing the downturn started at the end of last week...

Decline in cocoa market continues
COCOA PRICES on the London terminal market continued last week's fall in early dealings...

Israel citrus exports likely to resume

ISRAEL'S week-long port dispute was settled to-night when the stevedores accepted an increased wage proposal...

Jamaica taking over bauxite
KINGSTON, March 28. THE JAMAICAN Government will take over the bauxite company of Reynolds Jamaica Mines...

Rationalising sugar refining

THE RATIONALISATION plan for U.K. cane sugar refining announced by Tate and Lyle yesterday, should come as no surprise to anyone remotely interested in the industry...

Domestic beet
Before Britain's entry into the Common Market, the U.K. market was tightly controlled with production quotas limiting the amount of domestic beet sugar output...

COMMODITY MARKET REPORTS AND PRICES

Table with columns for Metals, Rubber, Soyabean Meal, Coffee, Wool Futures, Meat/Vegetables, and various commodity prices.

U.S. PALM OIL IMPORTS LOWER

Table showing U.S. imports of palm oil from various countries like Malaysia, Indonesia, and others.

PRICE CHANGES

Table listing price changes for various commodities such as metals, grains, and oils.



AUTHORISED UNIT TRUSTS

Table of authorised unit trusts including Brown Shipley & Co. Ltd., Prudential Unit Trusts, and various investment funds with columns for fund names and values.

Table of base lending rates for various banks and financial institutions, listing the institution name and the corresponding rate.

Classified advertisement rates section, detailing rates for different types of advertisements and contact information for the classified advertisement manager.

OFFSHORE AND OVERSEAS FUNDS

Table of offshore and overseas funds including Kemp-Cook Management Jersey Ltd., Fidelity Mgmt. & Rec. (Gtd.) Ltd., and various international investment funds.

INSURANCE, PROPERTY, BONDS

Large advertisement for insurance, property, and bonds, featuring numerous company logos and detailed descriptions of various insurance and investment products.

Table of insurance base rates, providing a summary of rates for different insurance policies and services.

FT SHARE INFORMATION SERVICE

Exporting is easier with NO LANGUAGE PROBLEMS. Interested? Talk to INTERNATIONAL FACTORS LIMITED.

BRITISH FUNDS table with columns for Stock, Price, Div, Yld, and various fund names like Treasury 10% etc.

INTERNATIONAL BANK table with columns for Stock, Price, Div, Yld, and bank names like Citicorp, Nat. City etc.

FOREIGN BONDS & RAILS table with columns for Stock, Price, Div, Yld, and bond names like Anglo Saxon, De Beers etc.

AMERICANS table with columns for Stock, Price, Div, Yld, and American company names like Alcoa, GM, Ford etc.

CANADIANS table with columns for Stock, Price, Div, Yld, and Canadian company names like Alcan, Inco, Bell Canada etc.

BANKS AND HIRE PURCHASE table with columns for Stock, Price, Div, Yld, and bank names like Nat. Westminster, Nat. City etc.

BEERS, WINES AND SPIRITS table with columns for Stock, Price, Div, Yld, and company names like Carlsberg, Heineken, J. & F. Martell etc.

BUILDING INDUSTRY - TIMBER AND ROADS table with columns for Stock, Price, Div, Yld, and company names like Balfour Beatty, Bovis Lend Lease etc.

AMERICANS (continued) table with columns for Stock, Price, Div, Yld, and American company names like IBM, AT&T, Xerox etc.

BUILDING INDUSTRY - Continued table with columns for Stock, Price, Div, Yld, and company names like Bovis Lend Lease, Balfour Beatty etc.

CHEMICALS, PLASTICS table with columns for Stock, Price, Div, Yld, and company names like ICI, Shell Chemicals, Hoechst etc.

CINEMAS, THEATRES AND TV table with columns for Stock, Price, Div, Yld, and company names like Rank Organisation, British Broadcasting etc.

DRAPERY AND STORES table with columns for Stock, Price, Div, Yld, and company names like Debenhams, Marks & Spencer etc.

AMERICANS (continued) table with columns for Stock, Price, Div, Yld, and American company names like General Electric, Westinghouse etc.

DRAPERY AND STORES - Continued table with columns for Stock, Price, Div, Yld, and company names like Debenhams, Marks & Spencer etc.

ELECTRICAL AND RADIO table with columns for Stock, Price, Div, Yld, and company names like GEC, Philips, Philips Electronics etc.

ENGINEERING, MACHINE TOOLS table with columns for Stock, Price, Div, Yld, and company names like GEC, BTH, BTH Electronics etc.

DRAPERY AND STORES table with columns for Stock, Price, Div, Yld, and company names like Debenhams, Marks & Spencer etc.

AMERICANS (continued) table with columns for Stock, Price, Div, Yld, and American company names like General Electric, Westinghouse etc.

ENGINEERING - Continued table with columns for Stock, Price, Div, Yld, and company names like GEC, BTH, BTH Electronics etc.

ENGINEERING, MACHINE TOOLS table with columns for Stock, Price, Div, Yld, and company names like GEC, BTH, BTH Electronics etc.

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AMERICANS (continued) table with columns for Stock, Price, Div, Yld, and American company names like General Electric, Westinghouse etc.

INDUSTRIALS - Continued table with columns for Stock, Price, Div, Yld, and company names like ICI, Shell, BHP etc.

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INDUSTRIALS - Continued table with columns for Stock, Price, Div, Yld, and company names like ICI, Shell, BHP etc.

INDUSTRIALS (Miscellaneous) table with columns for Stock, Price, Div, Yld, and company names like ICI, Shell, BHP etc.

Conversion factor 0.7130 (0.7180)

Handwritten note in Arabic script: مكيان التحويل

INDUSTRIALS - Continued

Table of industrial stock prices including companies like British Petroleum, ICI, and various engineering firms.

MOTORS, AIRCRAFT TRADES

Table of stock prices for motor and aircraft related companies such as Rover, Jaguar, and BAE Systems.

PROPERTY - Continued

Table of property-related stock prices including real estate investment trusts and construction firms.

SHIPPERS, REPAIRERS

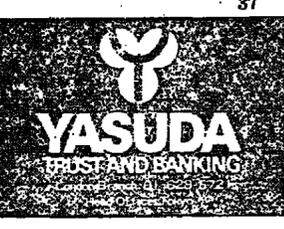
Table of stock prices for shipping and repair companies like Harland & Wolff and various shipbuilders.

TRUSTS - Continued

Table of trust and investment fund stock prices including various pension funds and investment trusts.

TRUSTS - Continued

Table of trust and investment fund stock prices, continuing from the previous section.



MINES - Continued

Table of stock prices for mining companies, including Central African, Australian, and various international miners.

INSURANCE

Table of insurance stock prices.

PROPERTY

Table of property-related stock prices.

SHIPPERS, REPAIRERS

Table of shipping and repair stock prices.

TRUSTS, FINANCE, LAND

Table of trust, finance, and land stock prices.

TRUSTS, FINANCE, LAND

Table of trust, finance, and land stock prices.

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# Italy, Iran in joint oil deal

BY PAUL BETTS

Rome, March 28. Italy's State hydrocarbon group, ENI, and the National Iranian Oil Company have reached agreement to establish a joint refining and distribution company for Europe and Africa. The deal is subject to approval by the two Governments.

The venture, which excludes ENI's Italian interests, hinges on firm guarantees from Tehran to the Italian Government to invest 50 per cent of its profits from the joint venture in Italy, as indicated by the Shah of Iran when the proposal was made last year.

Negotiations were held up after Iranian demands that the joint 80-50 company pay the market price for its initial annual requirement of an estimated 500,000 tons of crude.

But Iran has agreed to sell its crude at what ENI is understood to regard as a satisfactory price. She has insisted on negotiating the second part of the deal, which was shadowed in the Financial Times on December 23, with the Italian Government rather than directly with the State oil group.

The recent visit to Tehran of Sig. Renato Ossola, the Italian foreign trade minister, is believed to have concentrated on this part of the bargain, whereby Iran would pledge to use 50 per cent of her profits from the venture to buy Italian goods.

## Breakthrough

Both politically and commercially ENI is expected to regard the deal as a big breakthrough which will guarantee it on a long-term basis at a favourable price a substantial portion of its oil requirements.

It will be the first time that an oil-producing country has entered into downstream operations internationally. By taking a 50 per cent stake in the new company Iran will acquire equal interests in ENI's two European and four African refineries, and some 2,000 distribution points in 20 countries.

ENI proposes to form an overseas financial holding company to seek fresh capital on foreign markets for its programme of overseas and domestic investments.

ENI is expected shortly to announce its long-awaited reorganisation plan for its oil subsidiary AGIP, which with an annual turnover of about £6,000m, is to be broken up over half the group's total turnover of about £10,000m. (about £7bn.).

Two of ENI's biggest companies, the pipeline-laying concern Saipem and an engineering group SNAM, today recorded positive financial performances last year. Saipem recorded a profit of £2.2bn. (about £1.5m.) last year after depreciation, and SNAM of £2.6bn. (about £1.7m.).

## Weather

**U.K. TO-DAY**

COLD in England and Wales, milder in Scotland and N. Ireland.

London, S.E., E. England, Anglia. Windy showers, sunny intervals.

Cent. S., S.W. England, E. Midlands, Channel Isles. Mainly dry, bright intervals.

W. Midlands, Wales, N.E. Windy showers in places.

Wind W. to light to moderate. Max. 5C (41F).

Borders, Edinburgh, Dundee areas, Aberdeen, S.W. Scotland. Occasional rain. Wind W., moderate. Max. 6C (43F).

North York, N.E., N.W. Scotland. Occasional rain or snow, fog patches. Wind W., moderate. Max. 6C (43F).

Outlook: Becoming warmer.

BUSINESS CENTRES		HOLIDAY CENTRES	
City	Temp	City	Temp
Algeria	16	Algeria	16
Amman	14	Bahia	18
Amsterdam	10	Batavia	26
Antwerp	10	Bombay	29
Bahia	21	Brussels	10
Bangkok	28	Buenos Aires	13
Barcelona	13	Calcutta	28
Bombay	29	Cairo	22
Buenos Aires	13	Canton	19
Calcutta	28	Cebu	27
Cairo	22	Colon	27
Canton	19	Hankow	14
Cebu	27	Hong Kong	20
Colon	27	Kobe	18
Hankow	14	London	10
Hong Kong	20	Manila	28
Kobe	18	Medan	27
London	10	Peking	10
Manila	28	Rangoon	28
Medan	27	Singapore	28
Peking	10	Taipei	19
Rangoon	28	Tientsin	14
Singapore	28	Yokohama	18
Taipei	19		
Tientsin	14		
Yokohama	18		

# Savings at lowest level for nearly four years

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE LEVEL of personal savings has fallen sharply in recent months as the result of a tightening squeeze on real disposable incomes.

Personal savings ratio—savings as a percentage of personal disposable incomes—was 11.8 per cent in the fourth quarter of last year, which is its lowest level for nearly four years. This compares with a ratio of 15.5 per cent in the third quarter.

These figures, together with a large financial deficit for the corporate sector in 1976, were revealed yesterday in Central Statistical Office statistics for national income and expenditure in 1976 immediately ahead of this afternoon's Budget with its increased tax take-home pay through income-tax cuts.

The reduction in savings, made to sustain consumer spending, reflects the sharp drop in real disposable incomes—down by 3 per cent between the third and fourth quarters of last year.

"This decline is larger than expected after a recession earlier figures and exaggerated the underlying squeeze because third quarter incomes and savings were boosted by last year's tax cuts."

There is little doubt that the squeeze on real incomes has intensified in recent months, with continuing pay restraint but accelerating inflation. A decline of 3.4 per cent in incomes this year, after only a slight fall in 1976, has been projected by certain economists.

The main burden has been taken by wage and salary earners, whose pre-tax incomes rose by 12.7 per cent last year, compared with a 25.5 per cent increase in receipts of national income, but after other Government grants to individuals.

The statistics show that the financial position of the cor-

porate sector is much worse than had been projected by most City analysts. Industrial and commercial companies in 1976 had a £770m. financial deficit—the sum left after taxes, dividends, capital spending and the rise in stock values.

This compares with a deficit of £320m. in 1975 and widespread City estimates of a surplus for last year.

It had been thought that the deficit of £317m. for the third quarter was a freak figure, but this has now been revised upwards to £430m. with a deficit of £383m. in the fourth quarter. Most of the figures for the previous three years have also been revised towards smaller surpluses and larger deficits.

There is still some City scepticism about the size of the deficit last year, because of the frequent revisions. There are suggestions that the profit rise may be understated.

The rise in the deficit reflects in particular the sharp increase in the amount required for the

NATIONAL INCOME (Seasonally adjusted)			
	Savings ratio %	Real personal disposable income £m.	Financial Surplus/Deficit Industrial and Commercial companies £m.
1974	14.2	41,465	-3,187
1975	14.8	41,338	-320
1976	14.2	41,124	-770
1st	14.9	10,247	+ 72
2nd	14.8	10,245	+ 64
3rd	15.5	10,438	- 430
4th	11.8	10,094	- 353

\* Saving as a percentage of personal disposable incomes at current prices. † Expressed at 1970 prices. ‡ Net acquisition of financial assets which equals undistributed profits after deducting gross fixed capital spending and the increase in value of stocks, but after adding on capital transfers. Source: Central Statistical Office.

# U.K. fight for farm prices seems all but lost

BY ROBIN REEVES

BRUSSELS, March 28.

AFTER FOUR days of almost continuous negotiations, EEC Agriculture Ministers were still struggling here this evening to find the best compromise package covering common farm price increases and green currency adjustments for the 1977-1978 season, beginning on April 1.

The limited information filtering out of the talks—which are presided over by Mr. John Silkin, the U.K. Minister of Agriculture—indicated clearly that the British fight to persuade the rest of the Community to accept farm price increases lower than the 3 per cent average recommended by the Brussels Commission was all but lost.

The majority of Ministers were demanding that Mr. Finn Gundelach, the Brussels Commissioner for Agriculture, raise the Commission's offer to at least 3.5 per cent to meet the needs of their farmers.

In these circumstances, Mr. Gavin Strang, Parliamentary Secretary for Agriculture, who is leading the British delegation, looked like concentrating on winning a sufficiently large EEC butter subsidy for Britain to

offset not only the steep rise in butter prices likely over the next 12 months as a result of Common Market arrangements, but also the effect of any "green pound" devaluation on retail food prices generally.

Mr. Strang has indicated that the Government is ready to agree to a 2 per cent "green pound" devaluation in exchange for the butter subsidy.

The size of the subsidy under discussion works out at 30p a pound—£436 a tonne—which it is estimated would hold butter consumption in Britain at about 440,000 tons in a full year. Without it, the Common Market-inspired increase in butter prices of 18p a pound over the next 12 months could cut total British consumption to some 380,000 tons.

Most other EEC farm Ministers are expressing horror at the potential cost of the subsidy—conservatively estimated at 300m. units of account of £190m. in a year.

With the prospect of surplus EEC butter stocks doubling this year to over 400,000 tonnes, however, Mr. Strang is arguing force-

# GMWU will struggle to stop sackings at Tate and Lyle

BY CHRISTIAN TYLER, LABOUR CORRESPONDENT

THE DECISION of Tate and Lyle to shed just over 1,500 jobs in sugar cane refining over the next four years will be fought every inch of the way, union officials said yesterday.

The General and Municipal Workers Union said the company had no chance of winning union cooperation unless it produced "firm plans for suitable alternative employment in the areas affected."

Local officials of the union argued that ultimately the company's rationalisation would be subject to political decision, since nearly 1,000 of the jobs to be lost are in the high unemployment areas of the North-West.

A meeting of workers at the Liverpool refinery is to be held today to hear the recommendations of a shop stewards' action committee. Mr. John Maclean, secretary of the committee, said

yesterday that he did not expect to seek the kind of protest sit-ins that followed Plessey's redundancy announcements on Merseyside.

But he made it clear that the committee is looking to Tate and Lyle to produce another job in Liverpool for every man displaced.

Mr. John Edmonds, national officer of the union, said that Tate & Lyle was highly profitable and "has an absolute obligation to invest in new jobs."

The company, in yesterday's formal announcement of the cut-back, said forced redundancy would not be necessary if employees were prepared to be flexible about where they worked and the kinds of jobs they changed to. The main emphasis was on creating jobs in speciality chemicals, tea blending and packaging, and engineering to

Continued from Page 1

# Concessions on price controls

to initiate general investigations into wider sectors.

He emphasised that the amount of information companies would have to submit to the Commission would be significantly less than under the present price Code and that the whole process would be hedged about with limits on time and opportunities for appeal designed to protect companies whose prices were investigated.

He made it plain that the power to freeze proposed price rises while they were investigated would remain, but there would be powers to grant interim price rises.

He seemed to move marginally nearer to meeting industry's demands by saying that the Bill would place a duty on the Government to draw up safeguards against damage during an investigation.

Until now industry has been worried that the safeguards might protect a company only from the consequences of a Price Commission recommendation, and not during an investigation. Originally the Government had thought of dropping the existing framework of margin controls this summer, but decided to retain it after pressure from the TUC.

# London tea prices in sharp drop

BY PETER BULLEN

TEA PRICES fell sharply yesterday. At the weekly London auctions plain teas slumped from last week's 250p to 170p a cwt, quality tea fell from 280p to 250p and medium from 270p to 235p.

After the steep rises in the past three weeks the fall was welcomed by tea buyers, but the big drop in London auction prices may not fend off the large retail price increases consumers will face in the months ahead.

Much will depend on what happens at tea auctions in reverse in various parts of the world in the next seven days, and at subsequent London auctions.

For consumers paying about 20p to 21p a lb. for popular varieties, an increase of about 8p a lb. is forecast for April.

After the unprecedented rises which virtually doubled prices at the London auctions in the first three weeks of March retail prices of up to 40p a lb. packet would have been justified, according to some leading tea-blenders.

Yesterday's big price declines—provided they are not reversed subsequently—would leave retail prices in the region of 35p a packet.

Both tea-sellers and buyers are agreed that in world terms there are not enough supplies to meet a noticeable rise in consumption.

The Tea Brokers' Association reported that yesterday's market was "distinctly quieter than of late."

Prices opened 20p a kilo lower than last week, and much steeper declines followed before the market settled. The steepness in the fall was in reaction to the extremely rapid rise in values recently.

Peter Banyard, president of the London Tea Brokers' Association, said there was no fundamental reason for the swift turnaround. It was possible that buyers felt more confident of increased supplies coming on to the market in July and August from Sri Lanka and East Africa.

One large buyer said he felt a lot of the recent increase in London had been necessary to bring the market more into line with other countries, but there had been a lot of concern about last week's high prices.

Ceylon export tax up. Page 33

Continued from Page 1

# Insurers

amounts needed to provide for future court awards.

Over the day the Tenerife collision had a serious impact on the price of insurance shares on the London Stock Market. General Accident's share fell 180p. Guardian Royal Exchange down 8p to 218p, and Sun Alliance down 15p to 430p.

Insurance brokers, Willis, Faber and Dumas, said last night that the KLM 747 was valued at \$40m of which 40 per cent was directly placed in London.

The rest was placed equally with domestic aviation pools in Scandinavia, Switzerland and Holland and much of this was reinsured in the international markets, including London.

The Pan Am jet had a value of \$23m of which 45 per cent was placed in the London market, 15 per cent in France, and the rest in the U.S.

Aircraft are treated in much the same way as cars. The jet is insured for its current value, not for the replacement cost. The Pan Am 747 was one of the earlier models.

In addition, the considerable personal accident bill is likely to be met by various British, American and Continental insurers. Most of the Dutch victims insurance appears to have been placed with Europasia, a large travel insurance company in Holland.

The American insurance is likely to have been less concentrated but the sums involved are almost inevitably considerably larger. It is not unusual for American tourists to carry a \$200,000 personal accident insurance policy—cover which is relatively inexpensively obtained via travel agents or at airport machines.

# Interest rates cut on Industry Act assistance

THE MAXIMUM rate of interest relief grant and interest rates for loans under Section 7 of the Finance Act 1973 were reduced yesterday.

The rate of interest relief grant available in those cases where it would be appropriate to allow the equivalent of an interest-free period on a Department of Industry loan—but where firms obtain their finance from other sources—is being reduced from 14 per cent to 13 per cent for each interest-free year.

The "concessional" rate of interest on loans for employment—creating projects (Category A)—is reduced from 11 per cent to 10 per cent.

# Little fat in the company sector

THE LEX COLUMN

Let us hope that the Chancellor has had time to take due note, in framing his Budget, of the trends in corporate sector finances indicated by figures published yesterday. Industrial and commercial companies were in a financial deficit of £333m. seasonally adjusted, in the final quarter of 1976 and the previous quarter's deficit has been adjusted upwards—as have most of the earlier figures in this frequently revised series. Contrary to most earlier expectations the full year 1976 is now shown to have produced an overall deficit of £775m.

The significance of this figure is that it emerged in a year of depressed economic activity, when industry's stocks were on balance unchanged in physical terms and the volume of capital investment by manufacturing industry fell by 7 per cent. It only took a modest degree of stockpiling and a slight upturn in investment spending (from a very low level) towards the end of the year to tip the non-financial company sector into deficit—of approaching £1.6bn. at an annual rate in the second half.

There are some signs of a modest rally in profits net of stock appreciation, but the turnaround in the North Sea oil sector is masking a less flattering trend for most companies. In the current year, it seems certain that a higher level of capital spending will have to be financed, and although a stable currency has favourable implications for the level of stock appreciation (rising fast throughout 1976) commodity prices could create fresh problems.

So the betting is that the corporate sector's external financing requirement will be rising this year. Department of Industry surveys suggest that in recent months companies have been relying on a cushion of liquidity which was topped up by anticipatory drawing down of bank facilities ahead of last autumn's credit measures. The climate could change quite soon.

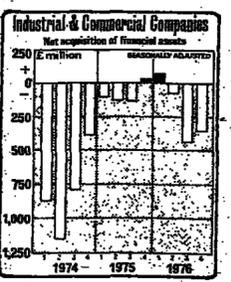
## Reckitt and Colman

Reckitt and Colman's healthy improvement in first-half profits continued in the second six months and, after adding in £4.2m. of exchange gains, pre-tax profits of £55.6m. are 57 per cent ahead. A combination of improved margins and some volume growth in most territories pushed operating profits £16.7m. higher.

## Paterson Zochonis

Shareholders in Paterson Zochonis will apparently have to wait until November's annual accounts for details of proposed "alterations" to their capital structure. Several schemes are under investigation none of which would be aimed at enhancing the firm's value. The firm's shares (which represent almost half the total equity) or raising new money. Meanwhile, PZ con-

## Index fell 6.5 to 411.6



Let us hope that the Chancellor has had time to take due note, in framing his Budget, of the trends in corporate sector finances indicated by figures published yesterday. Industrial and commercial companies were in a financial deficit of £333m. seasonally adjusted, in the final quarter of 1976 and the previous quarter's deficit has been adjusted upwards—as have most of the earlier figures in this frequently revised series. Contrary to most earlier expectations the full year 1976 is now shown to have produced an overall deficit of £775m.

Europe has been the star turn, accounting for a quarter of the growth in profits. Notwithstanding tough trading conditions and tight price controls in places such as France and Holland, Reckitt's Continental margins have improved markedly and now match those of the group as a whole. Australasia and Asia chipped in an extra £3.3m. and North America another £2.4m. Aided by the depreciation of sterling U.K. exports were particularly strong and U.K. profits showed some growth although domestic profit margins are still well below the group average.

Within the product groups, household goods and toiletries accounted for around half the increase in operating profits but less than a third of the sales growth and the food and pharmaceutical sides both "turned in" profits growth of over 40 per cent. Meanwhile the balance-sheet position has improved. Despite a 31 per cent rise in sales and a doubling of investment to £31.6m., net borrowing has fallen for the second year running. However, a yield of under 4 per cent continues to dog the shares which closed 2p down at 375p.

## Freemans

Freemans' efforts over the past two years to improve profitability are starting to pay off handsomely. While sales volume fell by a tenth in 1976 and market share, which had been aggressively built up in previous years, fell by around a point to 9.4 per cent, Freemans' pre-tax profits rose over a quarter to £10.5m.

Sharply lower interest charges provide part of the explanation and the rationalisation of the agency network and other measures including a tightening up of credit terms and a clamp down on the number of sales "returned," also played a part. Gross margins have improved noticeably and with net borrowings £2.7m. lower at just over £4m., the group is much better placed financially than it was 18 months ago.

This year there is unlikely to be more than marginally growth in volume but the group intends to maintain its market share and with luck the rise in turnover should outpace that of costs. Pre-tax profit of £12m.-plus, look on the card with the prospect of further substantial growth in 1977. However, the shares only yield 4.3 per cent at 190p.

# The Edinburgh and Dundee Investment Company Limited

Summary of Results for year to 31st January		1977	1976
Total Net Assets at Market Value		£82,962,145	£80,143,216
Ordinary Stock Units:			
Asset Value		164.7p	169.0p
Earnings		3.72p	2.96p
Dividend		3.50p	2.80p
Geographical Distribution of Investments			
Equities:			
United Kingdom		30.3	27.3
United States		34.5	40.3
Japan		2.1	6.0
Europe		1.4	1.5
Australia		1.1	4.3
Other Countries		3.7	4.5
Total Equities		73.4	84.8
Fixed Interest Stocks		13.6	12.5
Deposits less Current Liabilities		7.5	2.7

## Summary of Statement by the Chairman, Mr. Hugh McMichael

● Earnings per share rose by 25% and the Board recommends a similar increase in dividend from 2.80p to 3.50p.

● The fall of 2.5% in the asset value compares with a fall of 3.5% in the FTI Actuaries Index and a fall of 7.9% in the Standard & Poor's Index after adjusting for currency and premium movements.

● In the U.K., the rate of inflation is again increasing, industrial production figures continue to disappoint and unemployment remains high. North Sea oil will benefit the balance of payments but its effect on the economy in general will depend very much on Government policy. We continue to believe that the United States is currently the most attractive country for equity investment.

● Present estimates suggest that earnings per share will be modestly up in the current year but if money was moved from Government securities into equities the earnings outlook would become less favourable. Our aim continues to be the growth of income and capital without undue emphasis on either.

● Over the past year or so, critical attention has been directed to investment trust companies because of the large discounts at which they are quoted in relation to asset values. The prices of investment trust company shares, as of everything in which there is a true market, reflect the balance of supply and demand. Recently supply has exceeded demand.

Discounts have, however, narrowed somewhat from the peaks in October and may continue to do so as the merits of well managed investment trust companies are given renewed consideration.

Copies of the Annual Report may be obtained from  
**Baillie, Gifford & Co.**  
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